

Report of the Directors and Audited Financial Statements

BOCI ASIA LIMITED
中銀國際亞洲有限公司

31 December 2025

BOCI ASIA LIMITED
中銀國際亞洲有限公司

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REPORT OF THE DIRECTORS

The directors present their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2025.

Principal activities

The Company is licensed for dealing in securities and advising on corporate finance under the Hong Kong Securities and Futures Ordinance. Its principal activities are the provision of corporate finance services, sales and trading of securities and other financial instruments.

The principal activities of the subsidiaries are set out in note 1 to the consolidated financial statements.

Business review

No business review is presented for the year ended 31 December 2025 as the Company has been able to claim an exemption under section 388(3)(b) of the Companies Ordinance Cap. 622 since it is a wholly owned subsidiary of BOC International Holdings Limited.

Results and appropriations

The results of the Group for the year ended 31 December 2025 are set out in the consolidated statement of profit or loss on page 7.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2025 (2024: Nil).

Share issued

There has been no new issue of share capital in the year ended 31 December 2025. Details of the share capital are set out in note 28 to the consolidated financial statements.

Donations

The Group did not make any donation for charitable or other purpose during the year (2024: Nil).

Directors

The directors of the Company during the year and up to the date of this report are:

| | |
|-----------------------|--------------------------------|
| Leung Yiu Kei | (resigned on 1 January 2026) |
| Shen Jing | (resigned on 4 February 2026) |
| Kung Chun Hung Ronnie | |
| Zhang Kun | (appointed on 1 August 2025) |
| Li Zhe | (appointed on 1 August 2025) |
| Liu Lin | (appointed on 8 August 2025) |
| Wu Ziwei | (appointed on 15 January 2026) |
| Li Kai | (appointed on 4 February 2026) |

In accordance with the Company's Articles of Association, all directors shall retire and being eligible offer themselves for re-election.

The directors, who resigned during the year and up to the date of this report, have confirmed that he/she has no disagreement with the Board of Directors and nothing relating to the affairs of the Company needed to be brought to the attention of the shareholder of the Company.

REPORT OF THE DIRECTORS (continued)

Directors (continued)

Other than the directors set out above, the directors of the Company's subsidiaries during the year and up to the date of this report are:

| | | | |
|---------------------------|----------------------------|----------------------------|----------------------------|
| Meng Xin | Wang Yunhua [^] | Liu Min [#] | Wang Yan [#] |
| Du Yan | Ip Sio Kai [#] | Ng Kim Lam [#] | Wang Zeyu [#] |
| Wang Ying [#] | Chan Ming [°] | Suen Man Tak [#] | Chan Kam Lun [°] |
| Guo Zhiqiang [#] | Lam Kwong Siu [#] | Tang Nai Pang [#] | Yip Hau Shing [°] |

[^] appointed during the year and up to the date of this report

[#] being the directors of a subsidiary disposed by the Company during the year and up to 30 January 2026 (date of disposal).

[°] being the directors of a new subsidiary acquired by the Company during the period from 30 January 2026 (date of acquisition) and up to the date of this report.

The directors, who resigned during the year and up to the date of this report, have confirmed that they have no disagreement with the boards of directors of the respective Company's subsidiaries and nothing relating to the affairs of the Company needed to be brought to the attention of the Company as the shareholders of those subsidiaries.

Directors' interests

No contracts of significance in relation to the Group's business to which the Company, its subsidiaries, any of its fellow subsidiaries or its holding companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

At no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Company's directors to acquire benefits by means of the acquisition of shares in or debentures of, the Company or any other body corporate.

Management contracts

The Company has an agreement with its immediate holding company, BOC International Holdings Limited, under which the immediate holding company provides administration and support services to the Company in return for a fee which is agreed and reviewed on an annual basis. This agreement can be terminated by either party giving not less than one month's written notice.

In addition, the Company entered into an agreement with its fellow subsidiary, BOCI Leveraged & Structured Finance Limited, under which the Company provides administration and support services to the fellow subsidiary in return for a fee which is agreed and reviewed on an annual basis.

The Company has agreements with its subsidiaries, BOCI Research Limited and BOCI Securities Limited, and its fellow subsidiary, BOC International (Singapore) Pte. Ltd. respectively, under which they provide administration and support services to the Company in return for a fee, which is agreed and reviewed on an annual basis. These agreements can be terminated by either party giving not less than one month's written notice.

The Company has agreements with its subsidiary, BOCI Securities Limited, under which the subsidiary provides settlement services in return for a fixed fee on transaction basis and provides part of the office premises rented by it for the use of the Company in return for a fee which is agreed and reviewed periodically. These agreements can be terminated by either party giving not less than one month's written notice.

BOCI ASIA LIMITED
中銀國際亞洲有限公司

REPORT OF THE DIRECTORS (continued)

Management contracts (continued)

The Company has an intra-group arrangement agreement with its immediate holding company, BOC International Holdings Limited, under which the Company transfers its payment obligations or indebtedness liabilities to the immediate holding company. The immediate holding company is entitled to set off payments, sums and/or liabilities owed by it to any subsidiaries against any payments, sums and/or liabilities owed to it by any subsidiaries.

Permitted indemnity provision

Every director of the Company shall be indemnified against all liabilities incurred by him/her to the extent permitted by the Companies Ordinance. The immediate holding company, BOC International Holdings Limited, has maintained insurance for the benefit of directors against liability.

Auditors

The financial statements for the year ended 31 December 2025 have been audited by EY who will retire, and being eligible offer themselves for re-appointment as auditor of the Company.

ON BEHALF OF THE BOARD



WU Ziwei
Director
Hong Kong
28 April 2026



Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

Independent Auditor's Report
To the Members of BOCI Asia Limited
中銀國際亞洲有限公司
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of BOCI Asia Limited (the "Company") and its subsidiaries (the "Group") set out on pages 7 to 112, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") as issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the report of the directors, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report (continued)
To the Members of BOCI Asia Limited
中銀國際亞洲有限公司
(Incorporated in Hong Kong with limited liability)

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report (continued)
To the Members of BOCI Asia Limited
中銀國際亞洲有限公司
(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

The engagement partner on the audit resulting in this independent auditor's report is TSO, Miu Yue, Agnes (practising certificate number: P05087).



Certified Public Accountants
Hong Kong
28 April 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2025

| | Notes | 2025 HK\$ | 2024 HK\$ |
|--|-------|------------------------|------------------------|
| CONTINUING OPERATIONS | | | |
| Revenue | | | |
| <i>Revenue from contracts with customers and dividend income</i> | 5a | 2,018,261,494 | 1,219,579,821 |
| <i>Interest income from bank deposits, loans to customers and balances from banks and other financial institutions</i> | 5a | 1,453,605,873 | 1,437,631,346 |
| | | <u>3,471,867,367</u> | <u>2,657,211,167</u> |
| Trading gain, net | 5b | 216,702,321 | 62,951,772 |
| Other income | 6 | 516,612,370 | 512,172,485 |
| Total income | | <u>4,205,182,058</u> | <u>3,232,335,424</u> |
| Commission and clearing expenses | | (996,119,715) | (634,899,130) |
| Staff costs | 7 | (426,786,474) | (382,910,526) |
| Other operating expenses | | (1,029,559,959) | (877,162,611) |
| | | <u>(2,452,466,148)</u> | <u>(1,894,972,267)</u> |
| Finance costs | 11 | (217,277,009) | (263,782,328) |
| Operating profit before net charge for impairment allowance | | 1,535,438,901 | 1,073,580,829 |
| Net charge for impairment allowance | 9 | (202,284) | (763,131) |
| Profit before taxation from continuing operations | 10 | 1,535,236,617 | 1,072,817,698 |
| Income tax expense | 12 | (107,923,996) | (46,306,336) |
| Profit from continuing operations | | <u>1,427,312,621</u> | <u>1,026,511,362</u> |
| DISCONTINUED OPERATION | | | |
| Profit/(loss) from a discontinued operation | 29 | 27,983,566 | (19,453,322) |
| Profit for the year | | <u>1,455,296,187</u> | <u>1,007,058,040</u> |

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

BOCI ASIA LIMITED
中銀國際亞洲有限公司

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

| | 2025 HK\$ | 2024 HK\$ |
|--|----------------------|----------------------|
| Profit for the year | 1,455,296,187 | 1,007,058,040 |
| Other comprehensive income | | |
| <i>Items that may be reclassified to profit or loss</i> | | |
| Changes in the fair value of debt instruments at fair value through other comprehensive income | 7,990,235 | (5,608,938) |
| Total comprehensive income for the year | <u>1,463,286,422</u> | <u>1,001,449,102</u> |

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

BOCI ASIA LIMITED
中銀國際亞洲有限公司

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

| | Notes | 2025 HK\$ | 2024 HK\$ |
|---|-------|-----------------------|-----------------------|
| NON-CURRENT ASSETS | | | |
| Plant and equipment | 13 | - | - |
| Right-of-use assets | 16(a) | - | 7,532,205 |
| Intangible assets | 14 | 49,715,218 | 49,715,218 |
| Financial assets at fair value through other comprehensive income | 17 | 300,000 | 300,000 |
| Statutory deposits and other assets | | 240,797,116 | 226,110,550 |
| Deferred income tax assets | 15 | 777,529 | 784,176 |
| Debt instruments at amortised cost | 19 | 371,480,734 | 760,121,573 |
| Amounts due from the immediate holding company | 25 | - | 78,000,000 |
| Total non-current assets | | 663,070,597 | 1,122,563,722 |
| CURRENT ASSETS | | | |
| Financial assets at fair value through profit or loss | 18 | 687,762,112 | 264,901,245 |
| Debt instruments at amortised cost | 19 | 955,007,000 | 340,909,428 |
| Derivative financial instruments | 21 | 165,030,457 | 206,628,977 |
| Loans and receivables | 22 | 16,408,229,509 | 14,986,511,163 |
| Amounts due from the immediate holding company | 25 | 8,223,515,735 | 7,423,408,093 |
| Amounts due from a fellow subsidiary | 24 | 38,315 | - |
| Cash and balances with banks | 23 | 3,200,155,229 | 3,815,611,359 |
| | | 29,639,738,357 | 27,037,970,265 |
| Assets classified as held for sale | 29 | 5,608,368,522 | 6,139,856,261 |
| Total current assets | | 35,248,106,879 | 33,177,826,526 |
| CURRENT LIABILITIES | | | |
| Subordinated loans from the immediate holding company | 25 | 2,500,000,000 | 2,500,000,000 |
| Bank loans | 20 | 553,432,231 | 1,397,612,915 |
| Amounts due to the immediate holding company | 25 | 2,678,466,598 | 2,404,179,597 |
| Amounts due to fellow subsidiaries | 24 | 6,825,302 | 5,527,884 |
| Amounts due to a related company | 25 | - | 317,934 |
| Accounts and other payables, and other provisions | 26 | 9,772,202,065 | 8,526,105,062 |
| Derivative financial instruments | 21 | 333,778,748 | 279,087,390 |
| Financial liabilities at fair value through profit or loss | 27 | 23,104,011 | 5,315,287 |
| Lease liabilities | 16(c) | - | 7,794,110 |
| Taxation payable | | 176,658,010 | 126,484,835 |
| | | 16,044,466,965 | 15,252,425,014 |
| Liabilities associated with assets classified as held for sale | 29 | 3,799,135,379 | 4,366,594,750 |
| Total current liabilities | | 19,843,602,344 | 19,619,019,764 |
| NET CURRENT ASSETS | | 15,404,504,535 | 13,558,806,762 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 16,067,575,132 | 14,681,370,484 |

BOCI ASIA LIMITED
中銀國際亞洲有限公司

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2025

| | Notes | 2025 HK\$ | 2024 HK\$ |
|--|-------|-----------------------|-----------------------|
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 16,067,575,132 | 14,681,370,484 |
| NON-CURRENT LIABILITIES | | | |
| Amounts due to the immediate holding company | 25 | - | 77,648,000 |
| Accounts and other payables, and other provisions | 26 | 3,390,529 | 2,824,303 |
| Total non-current liabilities | | <u>3,390,529</u> | <u>80,472,303</u> |
| Net assets | | <u>16,064,184,603</u> | <u>14,600,898,181</u> |
| EQUITY | | | |
| Share capital | 28 | 2,000,000,000 | 2,000,000,000 |
| Reserve for fair value change of financial assets at fair value through other comprehensive income | | 2,516,495 | (5,473,740) |
| Retained earnings | | 14,061,668,108 | 12,606,371,921 |
| Total equity | | <u>16,064,184,603</u> | <u>14,600,898,181</u> |

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

.....
WU Ziwei
Director

.....
Li Kai
Director

BOCI ASIA LIMITED
中銀國際亞洲有限公司

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

| | Share capital HK\$ | Reserve for fair value change of financial assets at fair value through other comprehensive income HK\$ | Retained earnings (Note) HK\$ | Total HK\$ |
|---|--------------------------|--|--|-----------------------|
| Balance at 1 January 2024 | 2,000,000,000 | 135,198 | 11,599,313,881 | 13,599,449,079 |
| Profit and total comprehensive income for the year | - | (5,608,938) | 1,007,058,040 | 1,001,449,102 |
| Balance at 31 December 2024 | <u>2,000,000,000</u> | <u>(5,473,740)</u> | <u>12,606,371,921</u> | <u>14,600,898,181</u> |
| Balance at 1 January 2025 | 2,000,000,000 | (5,473,740) | 12,606,371,921 | 14,600,898,181 |
| Profit and total comprehensive income for the year | - | 7,990,235 | 1,455,296,187 | 1,463,286,422 |
| Balance at 31 December 2025 | <u>2,000,000,000</u> | <u>2,516,495</u> | <u>14,061,668,108</u> | <u>16,064,184,603</u> |

Note

As at 31 December 2025, a regulatory reserve of HK\$13,038,362 (2024: HK\$18,201,908) attributable to the Company's banking subsidiary was included in the retained earnings above. The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purpose of the Company's banking subsidiary and is subject to consultation with the Hong Kong Monetary Authority ("HKMA").

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

| | Notes | 2025 HK\$ | 2024 HK\$ |
|--|-------|-----------------------------|-----------------------------|
| Cash flows from operating activities | | | |
| Cash used in operating activities | 30(a) | (2,440,924,181) | (2,116,772,150) |
| Dividend received | | 13,670,414 | 12,479,221 |
| Interest received | | 1,883,841,516 | 1,969,736,504 |
| Interest paid | | (239,675,943) | (271,623,952) |
| Interest element on lease liabilities | | (53,430) | (486,630) |
| Hong Kong and overseas profits tax paid | | (57,750,932) | (48,478,727) |
| Hong Kong profits tax refunded | | - | 353,297 |
| | | <u>(840,892,556)</u> | <u>(454,792,437)</u> |
| Net cash used in operating activities | | | |
| Cash flows from financing activities | | | |
| Proceeds from bank loans | 30(b) | 550,000,000 | 1,388,240,000 |
| Repayment of bank loans | 30(b) | (1,388,240,000) | (390,580,000) |
| Principal portion of lease payments | 30(b) | (7,794,110) | (18,347,466) |
| | | <u>(846,034,110)</u> | <u>979,312,534</u> |
| Net cash (used in)/generated from financing activities | | | |
| | | <u>(1,686,926,666)</u> | <u>524,520,097</u> |
| Net (decrease)/increase in cash and cash equivalents | | 4,529,780,937 | 4,005,260,840 |
| Cash and cash equivalents at beginning of year | | <u>2,842,854,271</u> | <u>4,529,780,937</u> |
| Cash and cash equivalents at end of year | | <u><u>2,842,854,271</u></u> | <u><u>4,529,780,937</u></u> |
| Analysis of balances of cash and cash equivalents | | | |
| Cash at banks and in hand | | 2,830,178,292 | 3,875,382,788 |
| Placements with banks with original maturity within three months | | 12,675,979 | 654,398,149 |
| | | <u>2,842,854,271</u> | <u>4,529,780,937</u> |
| Cash and cash equivalents at end of year | | <u><u>2,842,854,271</u></u> | <u><u>4,529,780,937</u></u> |

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

1. CORPORATE AND GROUP INFORMATION

BOCI Asia Limited (the "Company") is a limited liability company incorporated in Hong Kong. The address of its registered office is 26/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong.

The Company and its subsidiaries (the "Group") provide a broad range of investment banking services for a diverse group of domestic and international companies, financial institutions, government agencies and individuals through its subsidiaries and affiliates in Hong Kong. The Group engages in the provision of banking services, underwriting and financial advisory, brokerage services for dealing of securities, futures and option contracts, securities margin financing services, and sales and trading of securities and other financial instruments.

The immediate holding company is BOC International Holdings Limited, which is incorporated in Hong Kong. The Company is subject to the control of the State Council of the People's Republic of China Government through China Investment Corporation Limited and its wholly-owned subsidiary, Central Huijin Investment Ltd.

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 April 2026.

Information about subsidiaries

Particulars of the Company's subsidiaries as at 31 December 2025 are as follows:

| <u>Name</u> | <u>Place of incorporation</u> | <u>Principal activities</u> | <u>Particulars of issued share capital</u> | <u>Interest held</u> |
|---|-------------------------------|--|--|----------------------|
| Bank of China International Limited 中銀國際有限公司 | Hong Kong | Banking and related financing services | HK\$1,000,000,000 | 100%# (note 29) |
| BOCI Research Limited 中銀國際研究有限公司 | Hong Kong | Research | US\$130,000 | 100%# |
| BOCI Securities Limited 中銀國際證券有限公司 | Hong Kong | Securities and futures dealing and brokerage | HK\$406,000,000 | 100%# |

Shares held directly by the Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

2.1 STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Hong Kong Companies Ordinance.

2.2 BASIS OF PREPARATION

The consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of financial assets at fair value through other comprehensive income, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 32 to the consolidated financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2025. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Group has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (i) the contractual arrangement with the other vote holders of the investee;
- (ii) rights arising from other contractual or non-contractual arrangements; and
- (iii) the Group's voting rights and potential voting rights.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of the subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2.2 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interests; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment in that former subsidiary retained; reclassifies the amounts previously recognised in other comprehensive income to the statement of profit or loss or retained earnings, as appropriate, on the same basis as directly disposed of the related assets or liabilities; recognises any resulting differences as gain or loss in the statement of profit or loss.

If the Group is committed by the Board to a sale plan involving loss of control of a subsidiary (a disposal group) that is unlikely to be withdrawn or changed significantly, the Group shall classify all the assets and liabilities of that subsidiary as held for sale only when the following criteria are met on or before the end of the reporting period: (i) the carrying amount will be recovered principally through a sale transaction rather than through continuing use; (ii) the subsidiary is available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of its kind and its sale must be highly probable, including a high probability of shareholders' approval, if needed; (iii) an active programme to locate a buyer at a reasonable price has been initiated and to complete the sale within one year, regardless of whether the Group will or will not retain a non-controlling interest after the sale. Disposal group (other than investment properties and financial instruments) is initially recognised and subsequently remeasured at the lower of its carrying amount and fair value less costs to sell. Properties, plant and equipment classified as held for sale are not depreciated.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of impairment of the assets transferred.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable. Dividend income from subsidiaries is recognised in the statement of profit or loss when the right to receive payment is established.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted amendments to HKAS 21 *Lack of exchangeability* for the first time for the current year's financial statements. The Group has not early adopted any other standard or amendment that has been issued but is not yet effective.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. As the currencies that the Group had transacted in were exchangeable, the amendments did not have any impact on the Group's financial statements.

2.4 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS

The Group has not early applied any of the new and revised HKFRS Accounting Standards that have been issued but are not yet effective for the accounting year ended 31 December 2025 in these financial statements. Among these new and revised HKFRS Accounting Standards, the following are expected to be relevant to the Group's financial statements upon becoming effective:

| | |
|---|--|
| HKFRS 18 | <i>Presentation and Disclosure in Financial Statements²</i> |
| HKFRS 19 | <i>Subsidiaries without Public Accountability: Disclosures²</i> |
| Amendments to HKFRS 9 and HKFRS 7 | <i>Amendments to the Classification and Measurement of Financial Instruments¹</i> |
| Annual Improvements to HKFRS Accounting Standards – Volume 11 | <i>Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7¹</i> |

¹ Effective for annual periods beginning on or after 1 January 2026

² Effective for annual/reporting periods beginning on or after 1 January 2027

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

2.4 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS (continued)

HKFRS 18 replaces HKAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as HKAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 *Statement of Cash Flows*, HKAS 33 *Earnings per Share* and HKAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other HKFRS Accounting Standards. HKFRS 18 and the consequential amendments to other HKFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group's financial statements.

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with HKFRS Accounting Standards. Earlier application is permitted. The Group is currently considering the application of HKFRS 19 in the financial statements.

Amendments to HKFRS 9 and HKFRS 7 *Amendments to the Classification and Measurement of Financial Instrument* clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

2.4 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS (continued)

Annual Improvements to HKFRS Accounting Standards – Volume 11 set out amendments to HKFRS 1, HKFRS 7 (and the accompanying *Guidance on implementing HKFRS 7*), HKFRS 9, HKFRS 10 and HKAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- **HKFRS 7 *Financial Instruments: Disclosures*:** The amendments have updated certain wording in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing HKFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing HKFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- **HKFRS 9 *Financial Instruments*:** The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. However, the amendments do not address how a lessee distinguishes between a lease modification as defined in HKFRS 16 and an extinguishment of a lease liability in accordance with HKFRS 9. In addition, the amendments have updated certain wording in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- **HKAS 7 *Statement of Cash Flows*:** The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

2.5 MATERIAL ACCOUNTING POLICIES

Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the Company's functional and presentation currency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or exchange rates at the end of the reporting period for items that are re-measured. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions using the exchange rates prevailing at the dates of the transactions and monetary assets and liabilities denominated in foreign currencies translated at the exchange rate at the end of the reporting period are recognised directly in the consolidated statement of profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on monetary securities held at fair value through profit or loss are reported as part of the fair value gain or loss. Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the securities and other changes in the carrying amount of the securities. Translation differences related to changes in the amortised cost are recognised in the consolidated statement of profit or loss, and other changes in the carrying amount are recognised in other comprehensive income.

Plant and equipment

Plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the consolidated statement of profit or loss during the financial period in which they are incurred.

Depreciation of plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, principally as follows:

| | |
|-----------------------------------|-------------|
| Leasehold improvements | 5 years |
| Furniture, fixtures and equipment | 3 - 5 years |
| Electronic equipment | 3 - 5 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Plant and equipment (continued)

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within other operating expenses in the consolidated statement of profit or loss.

Intangible assets

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If after assessment, the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held interest in the acquiree (if any), the excess is recognised immediately in the consolidated statement of profit or loss as a gain on bargain. Subsequently, goodwill is subject to impairment testing at least annually.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of investment in subsidiaries and other non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Potential indications of impairment may include significant adverse changes in the technological, market, economic or legal environment in which the assets operate or whether there has been a significant or prolonged decline in value below their cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Impairment of intangible assets with indefinite useful life are tested for impairment annually.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impaired assets are reviewed for possible reversal of the impairment at each reporting date.

In the Company's financial position, impairment testing of the investment in a subsidiary is also required upon receiving dividend from that entity if the dividend exceeds the total comprehensive income of that entity concerned in the period the dividend is declared or if the carrying amount of that entity in the Company's financial position exceeds the carrying amount of that entity's net assets including goodwill in its consolidated financial position.

Financial assets

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost a financial liability. The calculation does not consider expected credit losses ("ECL") and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Financial assets (continued)

Initial recognition and measurement

Financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset, such as fees and commissions. Transaction costs of financial assets carried at fair value through profit or loss ("FVPL") are expensed in profit or loss. Immediately after initial recognition, an ECL is recognised for financial assets measured at amortised cost and investments in debt instruments measured at fair value through other comprehensive income ("FVOCI"), which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

Classification and subsequent measurement

The Group has adopted HKFRS 9 and classifies its financial assets in the following measurement categories: FVPL; FVOCI; or amortised cost.

Classification and subsequent measurement of financial assets depend on:

- (i) the Group's business model for managing the asset; and
- (ii) the cash flow characteristics of the asset.

Based on these factors, the Group classified its financial assets into one of the following measurement categories:

- **Amortised cost (debt instruments)**

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI"), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any ECL allowance recognised and measured as described in note 3 to these consolidated financial statements. Interest income from these financial assets is recognised in profit or loss using the effective interest rate method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Financial assets (continued)

Classification and subsequent measurement (continued)

- **FVOCI (debt instruments)**

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is recognised in profit or loss using the effective interest rate method.

- **FVOCI (equity instruments)**

Gains and losses on these financial assets are never recycled to the consolidated statement of profit or loss. Dividends are recognised as revenue in the consolidated statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income.

- **FVPL**

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Financial assets (continued)

Classification and subsequent measurement (continued)

- **FVPL** (continued)

A gain or loss on a debt investment (including the interest component) that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the consolidated statement of profit or loss within "Trading gain, net" in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in "other income- net investment income".

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as revenue in the consolidated statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the consolidated statement of profit or loss.

Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Business model assessment: the Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Financial assets (continued)

Classification and subsequent measurement (continued)

The SPPI test: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the "SPPI test"). "Principal" for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. In making SPPI assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassified debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes should be infrequent.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2.5 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group records the allowance for impairment on financial assets for debt instruments recorded at amortised cost or at FVOCI, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss, in this section all referred to as "financial instruments". Equity instruments are not subject to impairment under HKFRS 9.

The ECL is based on the credit losses expected to arise over the life of the asset (the lifetime basis), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the twelve months' ECL (the twelve-month basis).

The twelve-month basis is the portion of the lifetime basis that represents the ECLs that result from default events on a financial instrument that are possible within the twelve months after the reporting date.

Both lifetime basis and twelve-month basis are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Group's policy for grouping financial assets measured on a collective basis is explained in note 3 to these consolidated financial statements.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in note 3 to these consolidated financial statements.

Based on the above process, the Group classifies financial assets into three stages, each of which is associated with an ECL requirement that is reflective of the assessed credit risk profile in each instance:

- A financial asset is classified under Stage 1 if it was not credit-impaired upon origination and there has not been a significant increase in its credit risk since inception. A provision for twelve-month ECL is required.
- A financial asset is classified under Stage 2 if it was not credit-impaired upon origination but has since suffered a significant increase in credit risk. A provision for life-time ECL is required.
- A financial asset which has been credit-impaired with objective evidence of default is classified under Stage 3. The assessed ECL is expected to be unchanged from the existing individual allowances taken for such assets.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Financial liabilities

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. At initial recognition, the Group measures a financial liability at its fair value plus or minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the issue of the financial liability, such as fees and commissions. Transaction costs of financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

Classification and subsequent measurement

Financial liabilities are classified into two categories: financial liabilities at fair value through profit or loss and other financial liabilities. All financial liabilities are classified at inception and recognised initially at fair value of the consideration received less directly attributable transaction costs. Fair value represents quoted prices if active market exists. When no active market exists, fair value is estimated by valuation techniques that are commonly used by market participants or dealer quotes.

(a) Financial liabilities at fair value through profit or loss

This category has two sub-categories: financial liabilities held for trading, and those designated at fair value through profit or loss at inception.

A financial liability is classified as held for trading if it is incurred principally for the purpose of repurchasing in the short term. It is carried at fair value and any gains and losses from changes in fair value are recognised in the consolidated statement of profit or loss.

A financial liability is typically classified as fair value through profit or loss at inception if it meets the following criteria:

- (i) The designation eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise from measuring the financial assets or financial liabilities or recognising the gains and losses on them on different bases;
- (ii) A group of financial assets and/or financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and this is the basis on which information about the financial assets and/or financial liabilities is provided internally to the management; or
- (iii) The designation relates to financial instruments containing one or more embedded derivative that significantly modifies the cash flow resulting from those financial instruments.

Financial liabilities at fair value through profit or loss are designated as such at inception. Financial liabilities held for trading and those designated at fair value through profit or loss are carried at fair value and any gains and losses from changes in fair value are recognised in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Classification and subsequent measurement (continued)

(b) Other financial liabilities

Other financial liabilities are carried at amortised cost. Any difference between proceeds net of transaction costs and the redemption value is recognised in the consolidated statement of profit or loss over the period of the other financial liabilities using the effective interest method.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the profit or loss.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as finance costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and through the use of valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are recognised immediately in the consolidated statement of profit or loss.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of reporting period.

Employee entitlements to sick leave and maternity leave or paternity leave are not recognised until the time of leave.

(b) Bonus plans

Provisions for bonus plans are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

The Group recognises a liability and an expense for bonuses, with reference to the performance of the Group. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation. Liabilities for bonus plans that are expected to be settled within 12 months are measured at the amounts expected to be paid when they are settled.

Bonus payments that are not due wholly within 12 months after the end of the year in which the employees render the related services are included as other long-term employee benefits. The long-term employee benefits are measured at the present value of the expected payments which also reflects the possibility that some employees may leave without receiving the bonus.

Any adjustments that reflect the estimation of bonus forfeited by the employees are recognised to the consolidated statement of profit or loss during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Employee benefits (continued)

(c) Pension obligations

The Group offers a mandatory provident fund scheme and a defined contribution plan, the assets of which are generally held in separate trustee-administered funds. These pension plans are generally funded by payments from employees and by the Group.

The Group's contributions to the mandatory provident fund scheme and the defined contribution retirement schemes are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

Income tax

Tax expenses for the period comprise current and deferred tax. Tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised directly in other comprehensive income. In this case, the tax is also recognised in other comprehensive income.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred income tax (continued)

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax related to fair value re-measurement of financial assets at FVOCI, which are charged or credited directly to equity, is credited or charged directly to equity and is subsequently recognised in the consolidated statement of profit or loss together with the realization of the deferred gain or loss.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, restoration costs and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets.

If ownership of the right-of-use asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Dividends

Dividends recognised in the consolidated financial statements represent interim dividend paid and final dividend for the year declared and approved by the members.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

HKFRS 15 introduces a 5-step approach when recognising revenue from contracts with customers:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

HKFRS 15 affects the Group in respect of revenue recognition on contracts with customers. HKFRS 15 provides guidance in relation to revenue recognition which emphasises that revenue can only be recognised upon performance obligations is satisfied. Brokerage and corporate financial services related fee income are recognised when the Group has satisfied its performance obligation under the relevant contract which therefore affect the timing of recognition of revenue.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If the contract terms and the Group’s activities do not fall into any of these 3 situations, then under HKFRS 15 the Group recognises revenue for the sale of that goods or services at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Brokerage commission is recognised on a point-in-time basis when the relevant services are rendered.

Underwriting and placement commission is recognised on a point-in-time basis when the underwriting and placement arrangement has been completed.

Corporate finance income from sponsorship is recognised over time based on output method. Other corporate finance income is recognized on a point-in-time when the services has been completed. Advances received are included in contract liabilities.

Revenue from other sources

Interest income from financial assets is recognised under HKFRS 9.

Interest income from debt instruments at amortised cost and FVOCI, bank deposits and loans to customers is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounting at original effective interest rate of the instrument, and continues unwinding the discount as interest income. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Dividend income from listed investments is recognised when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Contract assets

A contract asset is the right to consideration in exchange for services transferred to the customer. If the Group performs by transferring services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Fiduciary activities

Trust accounts maintained by the Group to hold clients' monies are treated as the off-balance sheet items and disclosed in notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Securities borrowing and lending

Securities may be lent under an agreement to return them by the borrower. Such securities are retained on the consolidated statement of financial position when substantially all the risks and rewards of ownership remain with the Group, and the counterparty liability is included separately on the consolidated statement of financial position when cash collateral is received.

Similarly, where the Group borrows securities under an agreement to return them to the lender but does not acquire the risks and rewards of ownership, the cash consideration paid is treated as a collateral placed to the lender, as account receivables in the consolidated statement of financial position.

Securities borrowed are not recognised in the consolidated financial statements, unless these are sold to third parties, at which point the obligation to repurchase the securities is recorded as financial liabilities at fair value through profit or loss and any subsequent gain or loss included in trading gain/(loss), net.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee ("BOCI EC") of BOC International Holdings Limited that makes key and strategic decision.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Share capital

Ordinary shares are classified as equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of risks: market risk, credit risk, operational risk, liquidity risk, legal risk, compliance risk, reputational risk and strategic risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to recognise potential adverse effects on the Group's financial performance.

The Company is a wholly owned subsidiary of BOC International Holdings Limited (collectively refer as "BOCI Group"). BOCI Group's risk management organisation and policies extend to cover the Group as there is no separate risk management organisation and policies for the Group. The risk management policy in BOCI Group applies to the Group as well.

Risk governance structure

BOCI Group establishes a comprehensive organisation structure with both decision-making and control functions. The structure comprises three basic tiers: (1) the Shareholder; (2) the Board of Directors ("BOCI Board"); and (3) the Senior Management.

Shareholder level

BOCI Group is a wholly-owned subsidiary and also an investment banking arm of Bank of China Limited ("BOC"). BOC, as the shareholder, authorises the BOCI Board to lead the Company.

Board level

The BOCI Board is responsible for setting the fundamental strategic goals and risk vision of the Group. The BOCI Board appoints the Risk Policy Committee ("BOCI RPC"), Strategy Development Committee ("BOCI SDC") and the Audit Committee ("BOCI AC"), which assist the BOCI Board in overseeing the BOCI Group's risk management functions.

BOCI RPC is responsible for assisting the BOCI Board in fulfilling their oversight responsibilities by providing guidance regarding the risk governance and the development of acceptable risk profile. BOCI RPC approves risk management policies, new business proposals and conducts regular review of major risk exposures and the approval of risk limits to ensure that BOCI Group's risk-taking activities are consistent with its business strategy, capital structure, and risk tolerance.

BOCI SDC is responsible for providing a high level strategic decision-making and co-ordination forum for BOCI Group and advising the BOCI Board on BOCI Group's long-term development needs and goals. Also, it is responsible for ensuring that BOCI Group's resources are well-used and overseeing the implementation status of the BOCI Group's strategic plans.

BOCI AC is responsible for assisting the BOCI Board in fulfilling their oversight responsibilities by monitoring the entire risk management process. Additionally, it is responsible for ensuring the independence of the internal and external auditors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

Senior Management level

The Executive Committee ("BOCI EC") is composed of the management-in-charge, and heads of the major divisions. It operates on a partnership model to provide integrated executive leadership. Moreover, it is responsible for the appointment and operation of the Internal Control and Risk Management Committee ("BOCI ICRMC") and the Investment Committee ("BOCI IC").

BOCI ICRMC and BOCI IC derive their decision-making authority from BOCI RPC and the BOCI EC. They consist of the Group's senior management, business heads and heads of the control and support units.

BOCI ICRMC is responsible for overseeing the risk management process of the BOCI Group as follows:

- Managing exposures to market risk, credit risk, operational risk, financial and liquidity risk, legal risk, reputation and compliance risks;
- Evaluating and approving all risk management policies, and monitoring their implementation in accordance to the principles and policies established by the BOCI Board and BOCI RPC, and under the guidance of BOCI EC;
- Evaluating and approving internal risk limits and delegations;
- Supervising and coordinating risk management activities, reviewing the completeness and effectiveness of risk management infrastructures, and facilitating the building of risk culture;
- Monitoring overall risk exposure and organising investigations to any risk event that considers material;
- Evaluating and approving new product and new business proposals in accordance to the policies and authorities delegated by the BOCI Board;
- Evaluating and approving significant transactions; and
- Undertaking any other duties assigned by BOCI RPC or BOCI EC.

BOCI IC is composed of senior management, related business heads and head of risk management. It is responsible for overseeing the BOCI Group's principal investment business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

Risk control functions

The segregation of duties and the integrity of operating systems within BOCI Group are two basic features of BOCI Group's practice. Control and support units such as risk management, financial management, asset and liability management, legal and compliance, human resources, operations and information technology are independent of the business reporting lines. These units contribute to BOCI Group's risk management system through their complementary reporting and control functions. The Risk Management Division ("BOCI RMD") evaluates and monitors the market and credit risk exposure on a regular basis. BOCI RMD reports any risk issues and risk analysis on business proposals to BOCI ICRMC, BOCI RPC and the BOCI Board. The Asset and Liability Management Division ("BOCI ALMD") evaluates and monitors the liquidity and market risks (i.e. interest rate and currency risk) of non-trading book.

(a) Market risk

The Group takes on exposure to market risks, which is the risk that the market value or fair value of a financial instrument will fluctuate because of changes in market parameters. Market risks arise from open positions in interest rate, currency and equity products.

The Group's market risk mainly arises from its proprietary trading business, which comprises equity derivatives and fixed income trading units, and is regularly monitored by BOCI RMD (hereafter collectively refer to as "trading book" and refer to note 3 to these consolidated financial statements for details on risk monitoring). The trading book in the Group mainly represents the financial positions classified as financial assets at fair value through profit or loss in the consolidated statement of financial position.

The remaining market risk of the Group arises from non-trading activities (hereafter collectively refer to as "non-trading book") and is managed by BOCI ALMD. Non-trading book market risk generally arises from investment in debt securities classified as fair value through other comprehensive income held for liquidity purposes as well as investments in debt securities classified as fair value through other comprehensive income are restricted to high quality securities and subject to daily mark-to-market and monitoring. As of the end of the reporting periods, the Group's exposure to the non-trading book is insignificant to its operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

Value at risk and stress test

BOCI Group adopts the Value at Risk ("VaR") approach to derive quantitative measures for trading book market risks under normal market conditions. The BOCI Board sets VaR limits on both equity derivatives units and fixed income units that may be undertaken. BOCI Group monitors VaR separately for equity derivatives unit and fixed income unit and each on a group basis, therefore no separate VaR is prepared. BOCI Group's exposure to non-trading book is not considered to be significant and no VaR limit is set. Further, the VaR is prepared in BOCI Group as a whole and no separate VaR is prepared for the consolidated financial position in the Group.

VaR is an estimate of the maximum potential loss in a defined period under defined confidence level in normal market conditions. Diversification effects within and across portfolios are taken into account either explicitly through the use of analytical formulae with pre-determined correlations or implicitly through the use of historical simulations. BOCI Group calculates VaR using a 99% confidence level and a holding period of 1 day. However, the use of this approach does not prevent losses outside these limits in the event of more significant market movement.

BOCI Group performs back testing on a regular basis to assess the predictive power of the VaR calculations. Back testing involves comparing actual daily profit or loss with VaR estimates. BOCI Group will review the VaR model if the back testing does not show a satisfactory result.

Stress testing is used as a supplement to BOCI Group's VaR analysis. The BOCI Board sets stress limits on both equity derivatives desk and fixed income desk that may be undertaken. Potential future stress loss is assessed using a number of hypothetical extreme market scenarios include the stress scenarios of different risk parameters such as equity level, volatilities, interest rate and credit spread. Stress scenarios are regularly reviewed to reflect a more updated and relevant market conditions and company business operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

Equity price risk

The value of the equity and derivative portfolio held by the Group is mainly subject to change in market volatility and share price of the underlying equity securities.

The table below shows the impact on the profit before taxation of the Group for hypothetical changes in underlying prices and volatilities. No correlation is taken into consideration in presenting the below analysis.

| | | | |
|------------------------------|----------------------|-----------|-------------|
| 31 December 2025 HK\$'000 | Change in volatility | | |
| Change in equity price | 10% | 0% | -10% |
| 10% | (85,944) | (32,538) | 20,868 |
| -10% | (98,186) | (44,780) | 8,626 |
| 31 December 2024 HK\$'000 | Change in volatility | | |
| Change in equity price | 10% | 0% | -10% |
| 10% | (44,635) | (26,316) | (7,996) |
| -10% | (21,337) | (3,017) | 15,303 |

The Group does not have non-trading book exposure to equity price risk as at the end of the reporting periods.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in interest rates. The Group takes on exposure on both fair value and cash flow interest rate risks.

Interest rate risk from trading book is monitored by BOCI RMD by using VaR tools on a daily basis. For non-trading book, both BOCI RMD and BOCI ALMD are responsible for monitoring and managing the interest rate risk with the aim to preserve capital and to ensure the steadiness and continuation of operations. The Group sets limits on the level of mismatch in interest rate and duration gap to control the risks associated with both parallel and non-parallel shifts of yield curves. Limit on stress loss is also imposed by the BOCI Board to control the adverse impact on capital in case of uncontrollable market conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

Interest rate risk (continued)

The table below summarises the Group's exposure to interest rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

| At 31 December 2025 | Less than 1 month and repayable on demand HK\$'000 | Between 1 to 3 months HK\$'000 | Between 3 to 12 months HK\$'000 | Over 1 year HK\$'000 | Non-interest bearing HK\$'000 | Total HK\$'000 |
|--|--|---|--|----------------------------|-------------------------------------|---------------------|
| Statutory deposits and other assets | 231,491 | - | - | - | 9,306 | 240,797 |
| Financial assets at fair value through other comprehensive income | - | - | - | - | 300 | 300 |
| Debt instruments at amortised cost | 562,072 | - | 392,935 | 371,481 | - | 1,326,488 |
| Financial assets at fair value through profit or loss | - | - | - | - | 687,762 | 687,762 |
| Derivative financial instruments | - | - | - | - | 165,030 | 165,030 |
| Amounts due from the immediate holding company | 6,440,859 | 1,181,718 | 586,295 | - | 14,644 | 8,223,516 |
| Amounts due from a fellow subsidiary | - | - | - | - | 38 | 38 |
| Financial assets included in account and other receivables | 1,007,087 | - | - | - | 8,973,594 | 9,980,681 |
| Loans to customers | 6,401,936 | - | - | - | - | 6,401,936 |
| Cash and balances with banks | 1,935,791 | 127,477 | 38,417 | - | 1,098,470 | 3,200,155 |
| Total assets | 16,579,236 | 1,309,195 | 1,017,647 | 371,481 | 10,949,144 | 30,226,703 |
| Subordinated loans from the immediate holding company | (2,500,000) | - | - | - | - | (2,500,000) |
| Bank loans | (553,432) | - | - | - | - | (553,432) |
| Amounts due to the immediate holding company | (1,029,336) | (9,254) | (579,440) | - | (1,060,437) | (2,678,467) |
| Amounts due to fellow subsidiaries | - | - | - | - | (6,825) | (6,825) |
| Financial liabilities included in accounts and other payables | (809,013) | - | - | - | (8,801,185) | (9,610,198) |
| Derivative financial instruments | - | - | - | - | (333,779) | (333,779) |
| Financial liabilities at fair value through profit or loss | - | - | - | - | (23,104) | (23,104) |
| Total liabilities | (4,891,781) | (9,254) | (579,440) | - | (10,225,330) | (15,705,805) |
| Total interest repricing gap | 11,687,455 | 1,299,941 | 438,207 | 371,481 | | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

Interest rate risk (continued)

| | Less than 1 month and repayable on demand | Between 1 to 3 months | Between 3 to 12 months | Over 1 year | Non-interest bearing | Total |
|--|--|-----------------------------|------------------------------|-----------------|-------------------------|---------------------|
| At 31 December 2024 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Statutory deposits and other assets | 211,102 | - | - | - | 15,009 | 226,111 |
| Financial assets at fair value through other comprehensive income | - | - | - | - | 300 | 300 |
| Debt instruments at amortised cost | 340,909 | - | - | 760,122 | - | 1,101,031 |
| Financial assets at fair value through profit or loss | - | - | - | - | 264,901 | 264,901 |
| Derivative financial instruments | - | - | - | - | 206,629 | 206,629 |
| Amounts due from the immediate holding company | 5,217,734 | 1,495,017 | 699,935 | 78,000 | 10,722 | 7,501,408 |
| Financial assets included in account and other receivables | 263,701 | - | - | - | 8,434,693 | 8,698,394 |
| Loans to customers | 6,255,533 | - | - | - | - | 6,255,533 |
| Cash and balances with banks | 2,277,072 | 50,216 | 57,436 | - | 1,430,887 | 3,815,611 |
| Total assets | 14,566,051 | 1,545,233 | 757,371 | 838,122 | 10,363,141 | 28,069,918 |
| Lease liabilities | (1,552) | (4,676) | (1,566) | - | - | (7,794) |
| Subordinated loans from the immediate holding company | (2,500,000) | - | - | - | - | (2,500,000) |
| Bank loans | (1,397,613) | - | - | - | - | (1,397,613) |
| Amounts due to the immediate holding company | (759,817) | (15,171) | (750,078) | (77,648) | (879,114) | (2,481,828) |
| Amounts due to fellow subsidiaries | - | - | - | - | (5,528) | (5,528) |
| Amounts due to a related company | - | - | - | - | (318) | (318) |
| Financial liabilities included in accounts and other payables | (248,517) | - | - | - | (8,161,288) | (8,409,805) |
| Deposits from customers | - | - | - | - | - | - |
| Derivative financial instruments | - | - | - | - | (279,087) | (279,087) |
| Financial liabilities at fair value through profit or loss | - | - | - | - | (5,315) | (5,315) |
| Total liabilities | (4,907,499) | (19,847) | (751,644) | (77,648) | (9,330,650) | (15,087,288) |
| Total interest repricing gap | 9,658,552 | 1,525,386 | 5,727 | 760,474 | | |

As at 31 December 2025, if market interest rates had been 100 basis point higher or lower with other variables held constant, profit before taxation for the year would have been approximately HK\$124 million (2024: HK\$105 million) higher/lower, mainly as a result of higher/lower net interest income earned on floating rate bank balances, loans to customers, balances with the immediate holding company, subordinated loan from the immediate holding company and deposits from customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency rates fluctuations.

The foreign exchange risk of the trading book is managed in the Group either by using foreign exchange spots or other derivative transactions. It is controlled under the risk management framework, including VaR and stress limits. For non-trading book, the Group sets limits on individual and aggregate open positions of various currencies. Stress loss limits of non-trading book are also set. The foreign exchange risk of non-trading book is monitored by both BOCI RMD and BOCI ALMD on a daily basis.

As at 31 December 2025, the Group did not have significant open foreign currency positions, except for USD and RMB. The USD net long open position amounted to approximately HK\$3,956 million (2024: HK\$1,134 million). The RMB net long open position amounted to approximately HK\$433 million (2024: HK\$10 million).

USD and RMB denominated assets mainly consist of short-term deposits, loans and receivables and amounts due from the immediate holding company, while USD and RMB denominated liabilities include accounts and other payables, deposits from customers and amounts due to the immediate holding company and fellow subsidiaries.

As HK\$ is pegged to USD, the Group is not exposed to significant foreign exchange risk on USD. Should RMB appreciate/depreciate against HK\$ by 5% (2024: 5%), the profit before taxation would increase/decrease by HK\$21.7 million (2024: HK\$0.5million).

(b) Credit risk

Credit risk represents the loss that the Group would suffer if a client or counterparty fails to meet its contractual obligations. Credit exposures arise principally in loans and receivables, debt securities and derivative financial instruments. There is also credit risk in off-balance sheet financial arrangements such as loan commitments. The credit risk management and control are centralised in BOCI RMD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Loans and receivables

The Group assesses credit risk of loans to corporate and individual clients and to financial institutions by performing credit assessment.

The credit risk management system of the Group comprises of pre-trade and post-trade credit control functions.

Regarding the pre-trade credit control functions, the Group has policies and procedures in place to ensure that credits are granted to clients with appropriate creditworthiness. The Group has its own in-house assessment methodologies for evaluating the creditworthiness of its counterparties. The Group credit approval process involves a detailed assessment of the counterparty's creditworthiness and also the risks related to the specific type of credit facility applied for.

Credit limits are set up to cap the maximum credit exposures that the Group intends to assume over specified periods. The Group's credit policy and procedure also sets out the procedures for the approval of exceptional cases when the Group may assume exposures beyond the set limits. Exposure to credit risk is managed in part by obtaining collateral from the clients. The Group has maintained relationships with various financial institutions and other counterparties, and has credit limits in place for these counterparties.

Post-trade credit control encompasses exposure and collateral monitoring and reporting. Collaterals covering the credit risk exposure in case of default are subject to mark-to-market and monitoring on a daily basis (refer to note 3 to these consolidated financial statements for details).

In particular, credit risk from customer securities dealing receivables under securities brokerage business is normally controlled through delivery-against-payment settlement and custody arrangement.

Debt securities and derivatives

Credit risk is inherent in debt securities and derivatives.

The Group assesses credit risk of derivative counterparties using external credit ratings and internal credit assessment. The Group controls the credit exposures by imposing potential market exposure limits. At any one time, the amount subject to credit risk includes (i) the current fair values of instruments that are favourable to the Group (i.e., assets where their fair values are positive) and (ii) the potential exposures of each counterparty from market movements. The credit risk exposure is monitored on a daily basis and collateral is obtained to mitigate the credit risk depending on credit assessment of the counterparty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Debt securities and derivatives (continued)

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate settlement risk arising from the Group's market transactions on any single day.

Credit risk management of trading book debt securities is mainly on portfolio basis. Issuer concentration limit and country concentration limit are set. Debt securities in the trading book are monitored under the market risk management framework, including VaR and stress limits.

As at the end of the reporting periods, all financial assets at fair value through other comprehensive income are unrated and all debt instruments at amortised cost are AA+ to AA- rating.

Offsetting financial instruments

The following financial tables present details of the Group's financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements.

| At 31 December 2025 | Gross amounts of recognised financial assets HK\$'000 | Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK\$'000 | Net amounts of financial assets presented in the consolidated statement of financial position HK\$'000 | Related amounts not set off in the consolidated statement of financial position | | Net amount HK\$'000 |
|--|--|---|---|---|--------------------------------------|------------------------|
| | | | | Financial instruments HK\$'000 | Cash collateral received HK\$'000 | |
| Financial assets | | | | | | |
| Loans and receivables | 21,945,052 | (13,091,239) | 8,853,813 | (2,675,690) | - | 6,178,123 |
| Derivative financial instruments | 61,928 | - | 61,928 | (3,092) | - | 58,836 |
| Amounts due from the immediate holding company | 8,223,516 | - | 8,223,516 | (2,678,467) | - | 5,545,049 |
| Total | 30,230,496 | (13,091,239) | 17,139,257 | (5,357,249) | - | 11,782,008 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Offsetting financial instruments (continued)

| At 31 December 2025 | Gross amounts of recognised financial liabilities HK\$'000 | Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK\$'000 | Net amounts of financial liabilities presented in the consolidated statement of financial position HK\$'000 | Related amounts not set off in the consolidated statement of financial position | | Net amount HK\$'000 |
|--|---|---|--|---|--------------------------------------|------------------------|
| | | | | Financial instruments HK\$'000 | Cash collateral pledged HK\$'000 | |
| Financial liabilities | | | | | | |
| Accounts and other payables | (21,103,284) | 13,091,239 | (8,012,045) | 2,675,690 | - | (5,336,355) |
| Derivative financial instruments | (61,928) | - | (61,928) | 3,092 | - | (58,836) |
| Amounts due to the immediate holding company | (2,678,467) | - | (2,678,467) | 2,678,467 | - | - |
| Total | (23,843,679) | 13,091,239 | (10,752,440) | 5,357,249 | - | (5,395,191) |
| At 31 December 2024 | | | | | | |
| | Gross amounts of recognised financial assets HK\$'000 | Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK\$'000 | Net amounts of financial assets presented in the consolidated statement of financial position HK\$'000 | Related amounts not set off in the consolidated statement of financial position | | Net amount HK\$'000 |
| | | | | Financial instruments HK\$'000 | Cash collateral received HK\$'000 | |
| Financial assets | | | | | | |
| Loans and receivables | 12,873,071 | (5,178,586) | 7,694,485 | (2,381,498) | - | 5,312,987 |
| Derivative financial instruments | 143,458 | - | 143,458 | (3,092) | - | 140,366 |
| Amounts due from the immediate holding company | 7,501,408 | - | 7,501,408 | (2,481,828) | - | 5,019,580 |
| Total | 20,517,937 | (5,178,586) | 15,339,351 | (4,866,418) | - | 10,472,933 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Offsetting financial instruments (continued)

| At 31 December 2024 | Gross amounts of recognised financial liabilities | Gross amounts of recognised financial assets set off in the consolidated statement of financial position | Net amounts of financial liabilities presented in the consolidated statement of financial position | Related amounts not set off in the consolidated statement of financial position | | Net amount HK\$'000 |
|--|---|--|--|---|-------------------------|---------------------|
| | | | | Financial instruments | Cash collateral pledged | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| Financial liabilities | | | | | | |
| Accounts and other payables | (12,173,389) | 5,178,586 | (6,994,803) | 2,381,498 | - | (4,613,305) |
| Derivative financial instruments | (143,458) | - | (143,458) | 3,092 | - | (140,366) |
| Amounts due to the immediate holding company | (2,481,828) | - | (2,481,828) | 2,481,828 | - | - |
| Total | (14,798,675) | 5,178,586 | (9,620,089) | 4,866,418 | - | (4,753,671) |

The Group manages its credit exposure by entering into master netting arrangements with counterparties where it is appropriate and feasible to do so. Master netting arrangements do not necessarily result in an offset of assets and liabilities in the consolidated financial statements. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs.

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar arrangement will have the option to settle all such amounts on a net basis in the event of default of the other party. The Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously; the financial assets and liabilities are therefore not set off in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Offsetting financial instruments (continued)

The tables below reconcile the loans and receivables, derivative financial instruments, amounts due from the immediate holding company, amounts due to the immediate holding company and accounts and other payables as presented in the consolidated statement of financial position:

| | 2025 HK\$000 | 2024 HK\$000 |
|---|-----------------|-----------------|
| Loans and receivables subject to offsetting | 8,853,813 | 7,694,485 |
| Loans and receivables not in the scope of offsetting disclosure | 7,615,582 | 7,351,742 |
| | <hr/> | <hr/> |
| Loans and receivables as disclosed in the consolidated statement of financial position before impairment allowance | 16,469,395 | 15,046,227 |
| Less: Impairment allowance | (61,166) | (59,716) |
| | <hr/> | <hr/> |
| Loans and receivables as disclosed in the consolidated statement of financial position (Note 22) | 16,408,229 | 14,986,511 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Derivative financial assets subject to offsetting | 61,928 | 143,458 |
| Derivative financial assets not in the scope of offsetting disclosure | 103,102 | 63,171 |
| | <hr/> | <hr/> |
| Derivative financial assets as disclosed in the consolidated statement of financial position (Note 21) | 165,030 | 206,629 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Derivative financial liabilities subject to offsetting | (61,928) | (143,458) |
| Derivative financial liabilities not in the scope of offsetting disclosure | (271,851) | (135,629) |
| | <hr/> | <hr/> |
| Derivative financial liabilities as disclosed in the consolidated statement of financial position (Note 21) | (333,779) | (279,087) |
| | <hr/> <hr/> | <hr/> <hr/> |
| Amounts due from the immediate holding company subject to offsetting | 8,223,516 | 7,501,408 |
| Amounts due from the immediate holding company not in the scope of offsetting disclosure | - | - |
| | <hr/> | <hr/> |
| Amounts due from the immediate holding company as disclosed in the consolidated statement of financial position (Note 25) | 8,223,516 | 7,501,408 |
| | <hr/> <hr/> | <hr/> <hr/> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Offsetting financial instruments (continued)

The tables below reconcile the loans and receivables, derivative financial instruments, amounts due from the immediate holding company, amounts due to the immediate holding company and accounts and other payables as presented in the consolidated statement of financial position: (continued)

| | 2025 HK\$'000 | 2024 HK\$'000 |
|---|--------------------|--------------------|
| Amounts due to the immediate holding company subject to offsetting | (2,678,467) | (2,481,828) |
| Amounts due to the immediate holding company not in the scope of offsetting disclosure | - | - |
| | <u>(2,678,467)</u> | <u>(2,481,828)</u> |
| Amounts due to the immediate holding company as disclosed in the consolidated statement of financial position (Note 25) | <u>(2,678,467)</u> | <u>(2,481,828)</u> |
| Accounts and other payables subject to offsetting | (8,012,045) | (6,994,803) |
| Accounts and other payables not in the scope of offsetting disclosure | (1,763,548) | (1,534,126) |
| | <u>(9,775,593)</u> | <u>(8,528,929)</u> |
| Accounts and other payables as disclosed in the consolidated statement of financial position (Note 26) | <u>(9,775,593)</u> | <u>(8,528,929)</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of collateral.

As part of the credit approval process, BOCI RMD is responsible for defining and assessing the acceptability of collateral that is offered. The recovery rates of its credit exposures are determined based on the debt structure of a debtor and its assessment of the collateral based upon such factors as the liquidity of the collateral (which reflects the ability to unwind a position), the price volatility of the collateral, the suitability of the collateral as a hedge to the Group's exposure and the legal ability to apply such collateral.

Collateral held as security for financial assets is determined by the nature of the instrument. Generally, loans are secured by various forms of collateral including listed stocks, properties, debt securities, and other credit enhancements. Debt securities, treasury and other eligible bills are generally unsecured.

For derivative transactions, generally the Group will require non-investment grade financial institutions and non-financial institutions to collateralise potential market exposure. Among other factors, the approval will be based upon the liquidity of the collateral (which reflects the ability to unwind a position as necessary), the price volatility of the collateral, the suitability of the collateral as a hedge to the exposure and the legal ability to apply such collateral.

Collateral monitoring is a crucial part of the credit risk measurement process. For margin financing, the collateral for covering the credit risk exposure are subject to mark-to-market and monitoring on a daily basis. A margin call to margin client would be made if there is an excess in margin loan limit or insufficient margin value to cover his/her credit risk exposure.

For loans to customers (margin loans), the collateral for covering the credit risk exposure in case of default are subject to mark-to-market and monitoring on a daily basis. A margin call to margin client would be made if there is an excess in margin loan limit or insufficient margin value to cover his/her risk credit exposure.

For loans to customers (demand loans and term loans), those loans are generally secured by various forms of collaterals such as listed stocks, bonds, properties, insurance policies and deposits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Maximum exposure to credit risk before collateral held or other credit enhancement

The following table summarises maximum exposure to credit risk of the Group at 31 December 2025 and 2024 before collateral held or other credit enhancement attached. For on-balance-sheet assets, the exposures set out below are based on carrying amounts as reported in the consolidated statement of financial position.

| Maximum exposure to credit risk | Notes | 2025 | 2024 |
|---|-------|-------------------|-------------------|
| | | HK\$'000 | HK\$'000 |
| Loans to customers | | | |
| - Margin loans | 1 | 6,274,453 | 6,012,243 |
| - Term loans | 2 | 62,338 | 130,206 |
| - Repo loans | 3 | 65,145 | 113,084 |
| Statutory deposits and other assets | 4 | 240,797 | 226,111 |
| Financial assets included in accounts and other receivables | 5 | 9,980,681 | 8,698,394 |
| Financial assets at fair value through other comprehensive income | 6 | 300 | 300 |
| Debt instruments at amortised cost | 7 | 1,326,488 | 1,101,031 |
| Derivative financial instruments | 8 | 165,030 | 206,629 |
| Cash and balances with banks | 9 | 3,200,155 | 3,815,611 |
| Amounts due from the immediate holding company | 10 | 8,223,516 | 7,501,408 |
| Amounts due from a fellow subsidiary | 10 | 38 | - |
| At 31 December | | 29,538,941 | 27,805,017 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Maximum exposure to credit risk before collateral held or other credit enhancement (continued)

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group based on the following:

- (1) Margin loans are fully secured by collaterals including listed stocks, bonds and deposits, with fair value greater than the outstanding loan amounts. No margin loans were considered to be credit impaired at the end of the reporting periods.
- (2) Term loans are fully secured by listed stocks as collateral as at 31 December 2025 and 2024. They were not overdue nor credit impaired as at 31 December 2025 and 2024.
- (3) Repo loans are secured by listed stocks and debt securities as collateral as at 31 December 2025 and 2024.
- (4) Statutory deposits are placed with regulators and considered to have minimal risk.
- (5) There was no significant impairment on account receivables for trading in securities, options and futures contracts as at the end of the reporting periods. Among those unimpaired accounts and other receivables, approximately HK\$9,545 million (2024: HK\$8,625 million) is receivables from dealing in securities, which normally has a settlement term of two days. Except for the account receivables arising from dealing in securities from Bank of China Limited and its subsidiaries as disclosed in note 31, there is no concentration of credit risk with respect to account receivables, as the Group has a large number of customers who are internationally dispersed. All the account receivables arising from Bank of China Limited and its subsidiaries were fully settled within two business days after the end of the reporting periods.

A provision of approximately HK\$59 million (2024: HK\$59 million) was made as at 31 December 2025 for those classified as credit-impaired fees and receivables. There was no reversal of impairment provision for fees and receivables in 2025 (2024: Nil).

- (6) Financial assets at fair value through other comprehensive income are mainly unlisted club debentures with insignificant credit risk exposure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Maximum exposure to credit risk before collateral held or other credit enhancement (continued)

- (7) Debt instruments at amortised costs represent Hong Kong Exchange Fund Bills, United States Treasury Bills and other debt securities issued by the HKMA, the United States Department of the Treasury and public interest entities respectively. They constitute direct, unsecured, unconditional and general obligations of the issuers. No debt instruments at amortised cost were considered to be impaired.
- (8) Derivative financial instruments are considered to have minimal risk as offsetting enforceable netting agreements are signed with counterparties with collateral placed. Daily exposure monitoring was performed to ensure the credit risk exposure is within limit.
- (9) Cash and balances with banks were deposited in reputable banks including Bank of China Limited and its subsidiaries. The Group has policies in place to ensure that cash and balances with banks are either placed with high credit quality financial institutions or related companies (note 31) with minimum credit risk.
- (10) The credit risk of the amounts due from an intermediate holding company and a fellow subsidiary is considered to be minimal as the counter-parties are subject to the control of the State Council of the People's Republic of China Government.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Loans and receivables - Overdue and provision

Significant loans and receivables as at 31 December are summarised as follows:

| | 2025 HK\$'000 | 2024 HK\$'000 |
|---|------------------------|------------------------|
| Loans to customers | | |
| Neither past due nor impaired | 6,401,884 | 6,250,028 |
| Past due but not impaired | 180 | 5,746 |
| Impaired | - | - |
| | <hr/> | <hr/> |
| Gross | 6,402,064 | 6,255,774 |
| Impairment allowance | (128) | (241) |
| | <hr/> | <hr/> |
| | 6,401,936 | 6,255,533 |
| | <hr/> | <hr/> |
| Financial assets included in accounts and other receivables | | |
| Neither past due nor impaired | 9,954,961 | 8,696,376 |
| Past due but not impaired | 27,471 | 2,780 |
| Impaired | 59,286 | 58,713 |
| | <hr/> | <hr/> |
| Gross | 10,041,718 | 8,757,869 |
| Impairment allowance | (61,037) | (59,475) |
| | <hr/> | <hr/> |
| | 9,980,681 | 8,698,394 |
| | <hr/> | <hr/> |
| Total | <hr/> <hr/> 16,382,617 | <hr/> <hr/> 14,953,927 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Loans and receivables - Overdue and provision (continued)

Gross amount of loans and receivables that were past due but not impaired were as follows:

| | 2025 HK\$'000 | | 2024 HK\$'000 | |
|--|------------------|---|------------------|---|
| | Margin loans | Account receivables from dealing in securities | Margin loans | Account receivables from dealing in securities |
| Individual | | | | |
| Past due 1 day | 98 | 89 | 2,008 | 346 |
| Past due 2 to 5 days | 82 | - | 3,132 | 198 |
| Past due 6 to 30 days | - | - | 467 | 15 |
| Past due 31 to 90 days | - | - | 23 | 3 |
| Past due over 90 days | - | 596 | 38 | 627 |
| Sub-total | 180 | 685 | 5,668 | 1,189 |
| Fair value of collateral | 18,530 | 3,288 | 486,892 | 6,569 |
| Corporate | | | | |
| Past due 1 day | - | 26,786 | 78 | 1,591 |
| Past due 2 to 5 days | - | - | - | - |
| Past due 6 to 30 days | - | - | - | - |
| Past due 31 to 90 days | - | - | - | - |
| Past due over 90 days | - | - | - | - |
| Sub-total | - | 26,786 | 78 | 1,591 |
| Fair value of collateral | - | - | 15,550 | - |
| Total loans and receivables that were past due but not impaired | 180 | 27,471 | 5,746 | 2,780 |
| Total fair value of collateral | 18,530 | 3,288 | 502,442 | 6,569 |

All other financial assets in loans and receivables are neither past due nor impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Impairment allowances

The Group has below financial assets that are subject to the ECL model, the maximum exposure of these financial assets equal to each of their carrying amounts.

- Financial assets at fair value through other comprehensive income
- Statutory deposits and other assets
- Debt instruments at amortised cost
- Financial assets included in loans and receivables, excluding the receivables arising from corporate financial services
- Amounts due from the immediate holding company
- Cash and balances with bank

The Group assessed the ECL of the above financial assets by applying a general ('three-stage') impairment model based on changes in credit quality since initial recognition of financial assets as summarised below:

Stage 1: A loss allowance for a financial instrument should be measured at an amount equal to 12-month ECL if the credit risk on that financial instrument has not increased significantly since initial recognition.

Stage 2: A loss allowance for a financial instrument should be measured at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition.

Stage 3: Lifetime ECL are recognised on the financial instrument if the credit risk of a financial instrument increases to the point that it is considered credit-impaired.

The following diagram summaries the impairment requirements under HKFRS 9 (other than purchased or originated credit-impaired financial assets):

| Stage 1 | Stage 2 | Stage 3 |
|---------------------------------|---|---------------------------------|
| (Initial recognition) | (Significant increase in credit risk since initial recognition) | (Credit-impaired assets) |
| 12-month expected credit losses | Lifetime expected credit losses | Lifetime expected credit losses |

For those financial assets classified in stage 1 and 2, the Group establishes model for measuring the ECL by using a statistical approach. This approach involves estimation of four risk parameters, i.e. Probability of Default ("PD"), Loss Given Default ("LGD"), Exposure at Default ("EAD") and expected life, as well as the use of effective interest rate ("EIR") and forward-looking information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Impairment allowances (continued)

For those financial assets classified in stage 3, the Group assesses the ECL by measuring the recoverable amount for each credit-impaired asset.

Definition of default and credit-impaired assets

In general, financial assets will be considered as credit-impaired when hitting 90 or above days past due while it is observed that some financial assets, for example, bank deposits and interbank borrowings, cash at banks with low credit risk tolerance will be considered as credit-impaired when hitting 30 or above days past due. Financial asset is credit-impaired when one or more events that have occurred and have a significant impact on the expected future cash flows of the financial assets, which include the following events:

- Significant financial difficulties of the issuer or borrower;
- A breach of contracts, such as a default or past-due event for more than 91 days;
- The lenders for economic or contractual reasons relating to the borrower's financial difficulty granted the borrower a concession that would not otherwise be considered;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for the financial asset because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects incurred credit losses; or

Default under the definition of HKFRS 9 is considered occurred when one of the following conditions is met:

- Loans or receivables which are considered uncollectible after exhausting all collection efforts, have no asset value and have already been classified as "loss";
- A debtor with difficulty in repayment applies for debt restructuring to cut the outstanding debt; and
- Loans or receivables require to be written off as specified by the local regulatory authorities.

Staging criteria

Movement between Stages 1, 2 and 3 is based on a set of predefined criteria whereas the Group has adopted a guideline to identify significant increase in credit risk since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition that is consistent with the internal credit risk management strategy. The criteria included, but not limited to, the following elements:

- External/internal credit rating;
- Days past due record;
- Loan classification for loan portfolio; and
- Other credit risk events, such as margin call, force liquidation, bankruptcy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Impairment allowances (continued)

Staging criteria (continued)

The financial assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. No significant changes to estimation techniques or assumptions were made during the reporting period.

Multiple scenarios and forward-looking information

ECL is calculated as a probability-weighted product of the PD, LGD and present value of exposure at default discounted at effective interest rate across scenarios. Three scenarios are adopted in the probability-weighted ECL which included the Baseline, Upside, and Downside scenarios which presented different severity under the respective macroeconomic scenarios.

The Group considers both historical loss experience and current observable data, and uses reasonable and supportable information of future economic forecasts to estimate the amount of ECL. The Group adopted macroeconomic forecast data for countries/regions that have material impact to the Group's business. Besides, with reference to the macroeconomic factors ("MEF") normally adopted in International Monetary Fund ("IMF") stress testing, the regional macroeconomic factors ("MEF"), including Gross Domestic Product ("GDP"), Consumer Price Index ("CPI"), Unemployment Rate ("URATE"), Property Price Index ("PPI"), Equity Price Index ("EQI") and Interest Rate ("INT") were considered in the LGD modelling for forward-looking adjustment. The Group then applies regression analysis, a commonly-adopted statistical method, to identify the most relevant MEFs from these MEFs for each of the LGD models employed. The Group adopted MEF forecasts and probability data from external vendor to ensure independence for unbiased ECL measurement.

Of the above financial assets, management considers that statutory deposits and other assets, amounts due from the immediate holding company, amounts due from a fellow subsidiary and amounts due from a related company are subject to 12-month ECL (stage 1) and the identified impairment loss is insignificant as the Group has no default history on such financial assets in past 5 years. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the counterparties to settle the amount due to the Group. As a result, the impairment loss as assessed was immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Impairment allowances (continued)

Multiple scenarios and forward-looking information (Continued)

Analysis of the gross carrying amount and recognised ECL according to the stage of ECL of financial instruments for which an ECL is recognised was presented in the respective notes to the consolidated financial statements.

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet the obligations of financial contracts that require funding for settlement and to maintain margin and collateral positions. It is crucial for the Group to maintain an appropriate level of liquidity, especially during periods of adverse conditions in particular for systematic risks associated with the financial markets, such as the financial tsunami happened in 2008. BOCI ALMD is responsible for managing liquidity risk with the aim to:

- Ensure the availability of adequate funding to meet obligations as and when they fall due; and
- To cater for a liquidity crisis.

The nature of businesses of the Group is financial intermediaries and a major part of its consolidated statement of financial position assets arise from securities turnover and collateralised margin lending for securities clients. The maturity profile of the Group's asset portfolio is therefore short-term skewed with high turnover ratio in assets. Appropriate credit control is in place to ensure that brokerage transactions are settled on time. This reduces liquidity concern on the Group when acting in the capacity of an agent.

The Group measures and monitors its net funding requirements by constructing maturity profile that projects future cash flows arising from assets, liabilities and off-balance sheet transactions. The BOCI Board sets liquidity ratios and limits on the mismatch, which are taken to control liquidity risks due to asset-liabilities mismatch.

Undiscounted cash flows by contractual maturities

The table below presents the cash flows payable by the Group under non-derivative financial liabilities, derivative financial assets/liabilities that will be settled on a net basis and derivative financial assets/liabilities that will be settled on gross basis by remaining contractual maturities at the end of reporting period.

The Group's derivatives that will be settled on a gross basis include:

- Equity derivatives: listed and over-the-counter stock options, listed index options, equity swaps, exchange-traded futures; and
- Foreign exchange rate derivatives: forwards, options, swaps.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

Undiscounted cash flows by contractual maturities (continued)

The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on the expected undiscounted cash flows.

| At 31 December 2025 | On demand and up to 1 month HK\$'000 | 1 to 3 months HK\$'000 | 3 to 12 months HK\$'000 | 1 to 5 years HK\$'000 | Total HK\$'000 |
|---|---|------------------------------|-------------------------------|-----------------------------|-------------------|
| Non-derivative cash outflow liabilities | | | | | |
| Subordinated loans from the immediate holding company | 2,508,537 | - | - | - | 2,508,537 |
| Bank loans | 553,432 | - | - | - | 553,432 |
| Amounts due to the immediate holding company | 2,090,500 | 9,310 | 594,559 | - | 2,694,369 |
| Amounts due to fellow subsidiaries | 6,825 | - | - | - | 6,825 |
| Financial liabilities included in accounts and other payables | 9,610,198 | - | - | - | 9,610,198 |
| Financial liabilities at fair value through profit or loss | 23,104 | - | - | - | 23,104 |
| | <u>14,792,596</u> | <u>9,310</u> | <u>594,559</u> | <u>-</u> | <u>15,396,465</u> |
| Cash flow from derivative financial assets and liabilities | | | | | |
| Settled on net basis | - | - | - | - | - |
| Settled on gross basis | | | | | |
| Total inflow | 187,406 | - | - | - | 187,406 |
| Total (outflow) | (160,818) | (15,146) | (19,356) | (103,115) | (298,435) |
| | <u>26,588</u> | <u>(15,146)</u> | <u>(19,356)</u> | <u>(103,115)</u> | <u>(111,029)</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

Undiscounted cash flows by contractual maturities (continued)

| At 31 December 2024 | On demand and up to 1 month HK\$'000 | 1 to 3 months HK\$'000 | 3 to 12 months HK\$'000 | 1 to 5 years HK\$'000 | Total HK\$'000 |
|---|---|------------------------------|-------------------------------|-----------------------------|-------------------|
| Non-derivative cash outflow liabilities | | | | | |
| Subordinated loans from the immediate holding company | 2,511,204 | - | - | - | 2,511,204 |
| Bank loans | 1,397,613 | - | - | - | 1,397,613 |
| Amounts due to the immediate holding company | 1,639,529 | 15,293 | 776,077 | 82,889 | 2,513,788 |
| Amounts due to fellow subsidiaries | 5,528 | - | - | - | 5,528 |
| Amounts due to a related company | 318 | - | - | - | 318 |
| Financial liabilities included in accounts and other payables | 8,409,804 | - | - | - | 8,409,804 |
| Lease liabilities | 1,570 | 4,708 | 1,570 | - | 7,848 |
| Financial liabilities at fair value through profit or loss | 5,315 | - | - | - | 5,315 |
| | <u>13,970,881</u> | <u>20,001</u> | <u>777,647</u> | <u>82,889</u> | <u>14,851,418</u> |
| Cash flow from derivative financial assets and liabilities | | | | | |
| Settled on net basis | - | - | - | - | - |
| Settled on gross basis | | | | | |
| Total inflow | 674,010 | 45,428 | 72,594 | - | 792,032 |
| Total (outflow) | (666,853) | (57,348) | (65,370) | (8,261) | (797,832) |
| | <u>7,157</u> | <u>(11,920)</u> | <u>7,224</u> | <u>(8,261)</u> | <u>(5,800)</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

(d) Financial instruments by category

The carrying amount of each of the categories of financial instruments as at the end of the reporting period are as below:

| At 31 December 2025 | Financial assets at fair value through profit or loss HK\$'000 | Financial assets through other comprehensive income HK\$'000 | Financial assets at amortised cost HK\$'000 | Total HK\$'000 |
|--|---|---|--|-------------------|
| Financial assets | | | | |
| Statutory deposits and other assets | - | - | 240,797 | 240,797 |
| Financial assets at fair value through other comprehensive income | - | 300 | - | 300 |
| Debt instruments at amortised cost | - | - | 1,326,488 | 1,326,488 |
| Financial assets at fair value through profit or loss | 687,762 | - | - | 687,762 |
| Derivatives financial instruments | 165,030 | - | - | 165,030 |
| Amounts due from the immediate holding company | - | - | 8,223,516 | 8,223,516 |
| Amounts due from a fellow subsidiary | - | - | 38 | 38 |
| Financial assets included in account and other receivables | - | - | 9,980,681 | 9,980,681 |
| Loans to customers | - | - | 6,401,936 | 6,401,936 |
| Cash and balances with banks | - | - | 3,200,155 | 3,200,155 |
| Total | 852,792 | 300 | 29,373,611 | 30,226,703 |
| Financial liabilities | | | | |
| At 31 December 2025 | | Financial liabilities at fair value through profit or loss HK\$'000 | Financial liabilities at amortised cost HK\$'000 | Total HK\$'000 |
| Financial liabilities | | | | |
| Subordinated loans from the immediate holding company | | - | 2,500,000 | 2,500,000 |
| Bank loans | | - | 553,432 | 553,432 |
| Amounts due to the immediate holding company | | - | 2,678,467 | 2,678,467 |
| Amounts due to fellow subsidiaries | | - | 6,825 | 6,825 |
| Financial liabilities included in accounts and other payables | | - | 9,610,198 | 9,610,198 |
| Derivative financial instruments | | 333,779 | - | 333,779 |
| Financial liabilities at fair value through profit or loss | | 23,104 | - | 23,104 |
| Total | | 356,883 | 15,348,922 | 15,705,805 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

(d) Financial instruments by category (continued)

| At 31 December 2024 | Financial assets at fair value through profit or loss HK\$'000 | Financial assets through other comprehensive income HK\$'000 | Financial assets at amortised cost HK\$'000 | Total HK\$'000 |
|--|---|--|---|-------------------|
| <u>Financial assets</u> | | | | |
| Statutory deposits and other assets | - | - | 226,111 | 226,111 |
| Financial assets at fair value through other comprehensive income | - | 300 | - | 300 |
| Debt instruments at amortised cost | - | - | 1,101,031 | 1,101,031 |
| Financial assets at fair value through profit or loss | 264,901 | - | - | 264,901 |
| Derivatives financial instruments | 206,629 | - | - | 206,629 |
| Amounts due from the immediate holding company | - | - | 7,501,408 | 7,501,408 |
| Financial assets included in account and other receivables | - | - | 8,698,394 | 8,698,394 |
| Loans to customers | - | - | 6,255,533 | 6,255,533 |
| Cash and balances with banks | - | - | 3,815,611 | 3,815,611 |
| Total | <u>471,530</u> | <u>300</u> | <u>27,598,088</u> | <u>28,069,918</u> |

| At 31 December 2024 | Financial liabilities at fair value through profit or loss HK\$'000 | Financial liabilities at amortised cost HK\$'000 | Total HK\$'000 |
|--|---|--|-------------------|
| <u>Financial liabilities</u> | | | |
| Lease Liabilities | - | 7,794 | 7,794 |
| Subordinated loans from the immediate holding company | - | 2,500,000 | 2,500,000 |
| Bank loans | - | 1,397,613 | 1,397,613 |
| Amounts due to the immediate holding company | - | 2,481,828 | 2,481,828 |
| Amounts due to fellow subsidiaries | - | 5,528 | 5,528 |
| Amounts due to a related company | - | 318 | 318 |
| Financial liabilities included in accounts and other payables | - | 8,409,805 | 8,409,805 |
| Derivative financial instruments | 279,087 | - | 279,087 |
| Financial liabilities at fair value through profit or loss | <u>5,315</u> | <u>-</u> | <u>5,315</u> |
| Total | <u>284,402</u> | <u>14,802,886</u> | <u>15,087,288</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value of financial assets and liabilities

Financial instruments measured at fair value using valuation technique

If a financial instrument has an active market, the quoted market price in the active market is used to determine its fair value.

If the market for a financial instrument is not active, valuation techniques are used to establish its fair value. These valuation techniques are commonly used by market participants and demonstrated to provide reliable estimates of prices obtained in actual market transactions.

Inputs to these valuation techniques are generally market observable, of which:

- The fair value of debt securities is obtained from market quotes.
- The fair value of foreign exchange spots, forwards and swaps is measured using spot or forward exchange rates.
- The fair value of equity options is established using option valuation models (e.g. the Black-Scholes model).

For financial instruments measured at fair value using a valuation technique, the total amount of the change in fair value estimated using a valuation technique that was recognised in the consolidated statement of profit or loss during the year is approximately a gain of HK\$41,605,182 (2024: loss of HK\$14,374,344).

Financial instruments not measured at fair value

For financial instruments that are not measured in fair value, including debt instruments at amortised cost, loans and receivables, cash and balances with banks, amounts due from/to the immediate holding company, subordinated loan from the immediate holding company, amounts due from/to fellow subsidiaries, amounts due to a related company, accounts and other payables, statutory deposits and other assets and deposits from customers, their carrying amounts approximate the fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value of financial assets and liabilities (continued)

Fair value hierarchy

HKFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges and exchanges traded derivatives like bond futures.

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of debt securities without active secondary markets and the OTC derivative contracts.

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes debt or equity instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value of financial assets and liabilities (continued)

Assets and liabilities measured at fair value

| At 31 December 2025 | Level 1 HK\$'000 | Level 2 HK\$'000 | Total HK\$'000 |
|---|---------------------|---------------------|-------------------|
| Financial assets at fair value through profit or loss | | | |
| - Equity securities | 687,762 | - | 687,762 |
| Derivatives financial instruments - assets | - | 165,030 | 165,030 |
| Financial assets at fair value through other comprehensive income | | | |
| - Club debentures | - | 300 | 300 |
| Total | <u>687,762</u> | <u>165,330</u> | <u>853,092</u> |
| Financial liabilities at fair value through profit or loss | | | |
| - Equity securities | 23,104 | - | 23,104 |
| Derivatives financial instruments - liabilities | - | 333,779 | 333,779 |
| Total | <u>23,104</u> | <u>333,779</u> | <u>356,883</u> |
| At 31 December 2024 | Level 1 HK\$'000 | Level 2 HK\$'000 | Total HK\$'000 |
| Financial assets at fair value through profit or loss | | | |
| - Equity securities | 264,901 | - | 264,901 |
| Derivatives financial instruments - assets | - | 206,629 | 206,629 |
| Financial assets at fair value through other comprehensive income | | | |
| - Club debentures | - | 300 | 300 |
| Total | <u>264,901</u> | <u>206,929</u> | <u>471,830</u> |
| Financial liabilities at fair value through profit or loss | | | |
| - Equity securities | 5,315 | - | 5,315 |
| Derivatives financial instruments - liabilities | - | 279,087 | 279,087 |
| Total | <u>5,315</u> | <u>279,087</u> | <u>284,402</u> |

During the years ended 31 December 2025 and 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

(f) Capital management

The Group's objectives when managing capital, which is a broader concept than the "equity" which include all the Group's consolidated equity of HK\$16,064,184,603 (2024: HK\$14,600,898,181) presented in the consolidated statement of financial position and the subordinated loans from the immediate holding company of HK\$2,500,000,000 (2024: HK\$2,500,000,000), are:

- To comply with the capital requirements under the Banking (Capital) Rules of the Hong Kong Banking Ordinance for the subsidiary carrying out banking business;
- To comply with the requirements of Hong Kong Securities and Futures Ordinance for the Company and its subsidiaries in carrying various types of regulated activities;
- To support the Group's stability and growth;
- To optimise risk adjusted return to the shareholder; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy of the banking subsidiary of the Group is monitored daily by the management of the banking subsidiary, employing techniques based on the Hong Kong Banking (Capital) Rules. The required information is filed with the HKMA on a quarterly basis.

In addition, the Company and certain subsidiaries are also subject to statutory capital requirement issued by the Hong Kong Securities and Futures Commission ("SFC") ranging from HK\$100,000 to HK\$10,000,000.

During the years ended 31 December 2025 and 2024, the banking subsidiary complied with all externally imposed capital requirements by the HKMA. The subsidiaries regulated by the SFC complied with the statutory capital requirement.

The subsidiaries regulated by the SFC are also required to maintain adequate financial resources to support their businesses. The Hong Kong Securities and Futures (Financial Resources) Rules require a licensed corporation to maintain liquid capital which is not less than its required liquid capital. During the year, the subsidiaries regulated by the SFC have maintained adequate financial capital to meet the requirement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

4. SEGMENT INFORMATION

The operating business of BOC International Holdings Limited ("BOCI Group"), the Group's immediate holding company, are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products. The Group's operating business segment and structure follows that of BOCI Group.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the BOCI EC as its chief operating decision maker.

All transactions between business segments are conducted on an arm's length basis, with intra-segment income and costs being eliminated. Income and expenses directly associated with each segment are included in determining business segment performance.

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 private banking 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. |
| Leverage & structured finance | <ul style="list-style-type: none">• Provides structured financing and financial advisory services. |
| Treasury and others | <ul style="list-style-type: none">• Provides central treasury services on behalf of Group companies. |

No segment assets and segment liabilities are disclosed as no such information are presented to the BOCI EC of BOCI Group, which is the chief operating decision maker.

Over 90% of the Group's revenue and profit are derived from its business activities in Hong Kong.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

4. SEGMENT INFORMATION (continued)

No individual customer, except for Bank of China Limited and its subsidiaries, contributed more than 10% of each individual segment income above. Please refer to note 31 for details of the related party transactions.

The Group's segment results for the years ended 31 December 2025 and 2024 were as follows:

| | Investment banking | Brokerage & wealth management | Private banking | Fixed income & equity market | Leveraged & structured finance | Treasury and others | Elimination | Total |
|---|-----------------------|-------------------------------------|--------------------|---------------------------------------|---|---------------------------|-------------|-----------|
| 31 December 2025 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Total income – external | 108,533 | 3,332,838 | 138,950 | 613,868 | - | 10,993 | - | 4,205,182 |
| Total income – inter-segment | - | - | - | - | - | 27,031 | (27,031) | - |
| Commission and clearing expense | (4,801) | (844,311) | (106,976) | (39,828) | - | (204) | - | (996,120) |
| Depreciation and amortisation | (1,119) | (902) | - | (4,878) | - | (633) | - | (7,532) |
| Other operating expenses | (167,643) | (465,754) | (11,323) | (122,603) | (3,829) | 75,823 | - | (695,329) |
| Finance costs – external | (30) | (25,108) | (1,791) | (193,237) | - | 2,889 | - | (217,277) |
| Finance costs – inter-segment | - | - | (27,031) | - | - | - | 27,031 | - |
| Segment results | (65,060) | 1,996,763 | (8,171) | 253,322 | (3,829) | 115,899 | - | 2,288,924 |
| Unallocated cost | | | | | | | | (753,687) |
| Operating profits from continuing operations | | | | | | | | 1,535,237 |
| | | | | | | | | |
| 31 December 2024 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Total income – external | 97,284 | 2,217,937 | 303,935 | 523,596 | 6,097 | 83,486 | - | 3,232,335 |
| Total income – inter-segment | - | - | - | - | - | 35,238 | (35,238) | - |
| Commission and clearing expense | (3,778) | (520,534) | (98,927) | (11,604) | - | (56) | - | (634,899) |
| Depreciation and amortisation | (2,684) | (2,164) | - | (11,707) | - | (1,522) | - | (18,077) |
| Other operating expenses | (152,924) | (366,556) | (132,829) | (133,301) | (5,584) | 161,058 | - | (630,136) |
| Finance costs – external | (93) | (6,596) | (52) | (256,751) | (2) | (288) | - | (263,782) |
| Finance costs – inter-segment | - | - | (35,238) | - | - | - | 35,238 | - |
| Segment results | (62,195) | 1,322,087 | 36,889 | 110,233 | 511 | 277,916 | - | 1,685,441 |
| Unallocated cost | | | | | | | | (612,623) |
| Operating profits from continuing operations | | | | | | | | 1,072,818 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

5. REVENUE AND TRADING GAIN, NET

(a) Revenue

| | 2025 HK\$ | 2024 HK\$ |
|--|----------------------|----------------------|
| <i>Revenue from contracts with customers and dividend income</i> | | |
| Brokerage commission | 1,917,740,273 | 1,114,911,626 |
| Underwriting and placement commission | 61,199,631 | 46,803,771 |
| Corporate finance income | 25,651,176 | 45,385,203 |
| | <u>2,004,591,080</u> | <u>1,207,100,600</u> |
| Dividend income from listed equity securities held for trading | 13,670,414 | 12,479,221 |
| | <u>2,018,261,494</u> | <u>1,219,579,821</u> |
| Interest income from bank deposits, loans to customers and balances from banks and other financial institutions (note) | 1,453,605,873 | 1,437,631,346 |
| | <u>3,471,867,367</u> | <u>2,657,211,167</u> |
| Total | <u>3,471,867,367</u> | <u>2,657,211,167</u> |

Note:

The amount includes interest income of HK\$356,418,946 (2024: HK\$412,342,822) from those bank deposits and loans to customers at amortised cost, and other interest income of HK\$1,097,186,927 (2024: HK\$1,025,288,524) from trust accounts with authorized institutions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

5. REVENUE AND TRADING GAIN, NET (CONTINUED)

(b) Trading gain, net

| | 2025 HK\$ | 2024 HK\$ |
|---|--------------------|-------------------|
| Net realised/unrealised gain/(loss) on financial assets and financial liabilities at fair value through profit or loss (note) | | |
| - Equity securities | 334,029,974 | 83,082,471 |
| - Debt securities | 41,692,181 | 73,627,538 |
| - Derivative financial instruments | (159,019,834) | (93,758,237) |
| | <u>216,702,321</u> | <u>62,951,772</u> |
| Trading gain/(loss) from listed investments | 139,346,499 | (17,749,137) |
| Trading gain from unlisted investments | 77,355,822 | 80,700,909 |
| | <u>216,702,321</u> | <u>62,951,772</u> |

Note:

Net realised/unrealised gain/(loss) on financial assets and financial liabilities through profit or loss includes interest income and interest expenses arising from financial assets and financial liabilities at fair value through profit or loss.

6. OTHER INCOME

| | 2025 HK\$ | 2024 HK\$ |
|--|--------------------|--------------------|
| Management fee income from related companies | 43,793,134 | 39,511,322 |
| Handling and custodian fees | 102,862,817 | 98,062,085 |
| Foreign exchange gain/(loss), net | 52,432,333 | (12,784,444) |
| Interest income from | | |
| - Lending to BOCI and its subsidiaries | 233,420,030 | 306,542,816 |
| - Debt instruments at amortised cost | 43,423,732 | 51,969,290 |
| - Others | 36,096,234 | 26,693,739 |
| Others | 4,584,090 | 2,177,677 |
| | <u>516,612,370</u> | <u>512,172,485</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

7. STAFF COSTS

| | 2025 HK\$ | 2024 HK\$ |
|---|--------------------|--------------------|
| Wages, salaries, other allowances and unutilised annual leave | 236,349,716 | 248,435,192 |
| Discretionary bonus and other long-term employee benefits | 150,962,664 | 100,541,380 |
| Pension costs - defined contribution plans | 22,402,338 | 21,400,823 |
| Staff medical, recruitment, training, welfare expenses and termination benefits | 17,071,756 | 12,533,131 |
| | <u>426,786,474</u> | <u>382,910,526</u> |

Staff costs include directors' remuneration (note 8).

8. DIRECTORS' REMUNERATION

The following disclosures are made pursuant to section 383(1)(a) to (f) of the Companies Ordinance Cap. 622 and Parts 2 to 4 of the Companies (Disclosure of Information about Benefits of Directors) Regulation Cap. 622G:

| | 2025 HK\$ | 2024 HK\$ |
|---|-------------------|-------------------|
| Basic salaries, housing allowances, other allowances and benefits in kind | 6,333,469 | 8,525,918 |
| Contributions to pension schemes | 534,434 | 835,724 |
| Discretionary bonus | | |
| - Short term employee benefits | 3,685,541 | 1,352,230 |
| - Other long-term employee benefits | - | - |
| | <u>10,553,444</u> | <u>10,713,872</u> |

In addition to the directors' remuneration paid by the Group and disclosed above, certain directors of the Company received remuneration from the immediate holding company, which totaled HK\$3,593,258 (2024: HK\$2,578,363), part of which was in respect of their services to the Group. No apportionment has been made as the directors consider that it is impracticable to apportion this amount between their services to the Group and their services to the Company's immediate holding company.

During the year, no payments were made as compensation for the early termination of the appointment and no consideration was provided to third parties for making available directors' services (2024: Nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2024: None).

No significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2024: None).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

9. NET CHARGE FOR IMPAIRMENT ALLOWANCE

| | 2025 HK\$ | 2024 HK\$ |
|---|------------------|------------------|
| Cash and balances with banks (note 23) | 360,603 | (970,238) |
| Loans and receivables (note 22) | (876,979) | 668,910 |
| Debt instruments at amortised cost (note 19) | 316,260 | (462,001) |
| Financial assets at fair value through other comprehensive income | (2,168) | 198 |
| | <u>(202,284)</u> | <u>(763,131)</u> |

Analysis of the gross carrying amount and recognised ECL according to the stage of ECL of financial instruments for which an ECL is recognised was presented in the respective notes to the consolidated financial statements.

10. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

| | Notes | 2025 HK\$ | 2024 HK\$ |
|--|-------|--------------------|--------------------|
| Commission expenses | | 833,023,422 | 526,593,453 |
| Clearing and settlement expenses | | 163,096,293 | 108,305,677 |
| Property management related expenses | | | |
| - Building management fee and rates | | 5,494,344 | 6,096,984 |
| - Recharged by the immediate holding company | | 2,137,975 | 3,780,563 |
| Depreciation of right-of-use assets | 16(d) | 7,532,205 | 18,077,291 |
| Management fee to related companies | | 753,687,210 | 612,623,197 |
| Auditor's remuneration | | 707,580 | 707,580 |
| Information technology and communications expenses | | <u>121,392,357</u> | <u>132,707,016</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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11. FINANCE COSTS

| | Note | 2025 HK\$ | 2024 HK\$ |
|---|-------|--------------------|--------------------|
| Interest expenses: | | | |
| - Deposits from customers and securities brokerage clients | | 24,119,679 | 6,954,999 |
| - Bank loans, other borrowings and balances from banks and other financial institutions | | 193,103,900 | 256,340,699 |
| - Lease liabilities | 16(d) | 53,430 | 486,630 |
| | | <u>217,277,009</u> | <u>263,782,328</u> |

12. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2024: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated statement of profit or loss represents:

| | Note | 2025 HK\$ | 2024 HK\$ |
|----------------------------------|------|--------------------|-------------------|
| Current income tax: | | | |
| Hong Kong profits tax | | | |
| - Current year | | 113,458,673 | 52,854,382 |
| - Over-provision in prior years | | (6,074,563) | (7,536,880) |
| Overseas tax | | | |
| - Current year | | 204,257 | 1,089,200 |
| - Under-provision in prior years | | 328,982 | - |
| Deferred income tax | 15 | 6,647 | (100,366) |
| | | <u>107,923,996</u> | <u>46,306,336</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

12. INCOME TAX EXPENSE (continued)

The tax on the Group's profit before taxation differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

| | 2025 HK\$ | 2024 HK\$ |
|--|--------------------|-------------------|
| Profit before taxation | 1,535,236,617 | 1,072,817,698 |
| Tax calculated at statutory tax rate of 16.5% (2024:16.5%) | 253,314,042 | 177,014,920 |
| Effect of different taxation rates in other countries | 204,257 | 1,089,200 |
| Income not subject to tax | (185,508,327) | (176,248,091) |
| Expenses not deductible for tax | 220,920 | 833,994 |
| Over-provision in prior years | (5,745,581) | (7,536,880) |
| Unused tax losses not recognised as deferred tax | 45,439,056 | 51,157,172 |
| Others | (371) | (3,979) |
| Income tax expense | <u>107,923,996</u> | <u>46,306,336</u> |

The Group is within the scope of the Pillar Two model rules. From 1 January 2025, the Group is liable to Pillar Two income taxes under the Hong Kong Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Ordinance 2025 for its earnings in Hong Kong. The Group will account for the Pillar Two income taxes as current tax when incurred. Based on the assessment for the year ended 31 December 2025, the Group is not exposed to Pillar Two “top-up” taxes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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13. PLANT AND EQUIPMENT

| | Leasehold improvements HK\$ | Furniture, fixtures and equipment HK\$ | Electronic equipment HK\$ | Total HK\$ |
|---|-----------------------------------|--|---------------------------------|---------------|
| Year ended 31 December 2024 and 31 December 2025 | | | | |
| Opening net book amount | - | - | - | - |
| Depreciation | - | - | - | - |
| Net book amount | - | - | - | - |
| At 31 December 2024 and 1 January 2025 | | | | |
| Cost | 6,563,455 | 1,113,554 | 47,665,278 | 55,342,287 |
| Accumulated depreciation | (6,563,455) | (1,113,554) | (47,665,278) | (55,342,287) |
| Net book amount | - | - | - | - |
| At 31 December 2025 | | | | |
| Cost | 6,563,455 | 1,056,146 | 31,275,609 | 38,895,210 |
| Accumulated depreciation | (6,563,455) | (1,056,146) | (31,275,609) | (38,895,210) |
| Net book amount | - | - | - | - |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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14. INTANGIBLE ASSETS

| | Goodwill HK\$ | Computer software HK\$ | Others HK\$ | Total HK\$ |
|---|-------------------|------------------------------|----------------|-------------------|
| At 1 January 2024 | | | | |
| Cost | 64,629,784 | 83,751,707 | 8,641,105 | 157,022,596 |
| Accumulated impairment/amortisation | (14,914,566) | (83,751,707) | (8,641,105) | (107,307,378) |
| Net book amount | <u>49,715,218</u> | <u>-</u> | <u>-</u> | <u>49,715,218</u> |
| Year ended 31 December 2024 | | | | |
| Opening net book amount | 49,715,218 | - | - | 49,715,218 |
| Impairment/amortisation | - | - | - | - |
| Closing net book amount | <u>49,715,218</u> | <u>-</u> | <u>-</u> | <u>49,715,218</u> |
| At 31 December 2024 and 1 January 2025 | | | | |
| Cost | 64,629,784 | 83,751,707 | 8,641,105 | 157,022,596 |
| Accumulated impairment/amortisation | (14,914,566) | (83,751,707) | (8,641,105) | (107,307,378) |
| Net book amount | <u>49,715,218</u> | <u>-</u> | <u>-</u> | <u>49,715,218</u> |
| Year ended 31 December 2025 | | | | |
| Opening net book amount | 49,715,218 | - | - | 49,715,218 |
| Impairment/amortisation | - | - | - | - |
| Closing net book amount | <u>49,715,218</u> | <u>-</u> | <u>-</u> | <u>49,715,218</u> |
| At 31 December 2025 | | | | |
| Cost | 64,629,784 | 83,751,707 | 8,641,105 | 157,022,596 |
| Accumulated impairment/amortisation | (14,914,566) | (83,751,707) | (8,641,105) | (107,307,378) |
| Net book amount | <u>49,715,218</u> | <u>-</u> | <u>-</u> | <u>49,715,218</u> |

The goodwill in the Group is mostly attributable to securities brokerage business, the cash-generating units ("CGU"). No impairment loss was noted in 2025 and 2024, as the CGU involved continued to be profitable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

15. DEFERRED INCOME TAX ASSETS

| | Notes | Accelerated tax depreciation HK\$ | Impairment allowances HK\$ | Tax loss HK\$ | Total HK\$ |
|--|-------|---|----------------------------------|------------------|----------------|
| At 1 January 2024 | | 406,897 | 364,745 | 1,315,784 | 2,087,426 |
| Classified as held for sale | | (12,811) | (75,021) | (1,315,784) | (1,403,616) |
| Recognised in the consolidated statement of profit or loss | | (46,252) | 146,618 | - | 100,366 |
| At 31 December 2024 and 1 January 2025 | | 347,834 | 436,342 | - | 784,176 |
| Recognised in the consolidated statement of profit or loss | 12 | (46,630) | 39,983 | - | (6,647) |
| At 31 December 2025 | | <u>301,204</u> | <u>476,325</u> | <u>-</u> | <u>777,529</u> |

Deferred income tax assets are recognised for tax loss carry-forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately HK\$225,108,402 (2024: HK\$179,669,346) in respect of losses amounting to approximately HK\$1,364,293,346 (2024: HK\$1,088,905,127) that can be carried forward against future taxable income. These tax losses have no expiry date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Right-of-use assets

| | 2025 HK\$ | 2024 HK\$ |
|----------------|--------------|------------------|
| At 1 January | 7,532,205 | 25,609,496 |
| Depreciation | (7,532,205) | (18,077,291) |
| At 31 December | <u>-</u> | <u>7,532,205</u> |

(b) Lease liabilities

| | 2025 HK\$ | 2024 HK\$ |
|-----------------------|--------------|------------------|
| At 1 January | 7,794,110 | 26,141,576 |
| Accretion of interest | 53,430 | 486,630 |
| Payments | (7,847,540) | (18,834,096) |
| At 31 December | <u>-</u> | <u>7,794,110</u> |

(c) Maturity profile of lease liabilities

| | 2025 HK\$ | 2024 HK\$ |
|---------------------------------------|--------------|------------------|
| -Within one year | - | 7,847,540 |
| -After one year but within five years | - | - |
| Lease liabilities (undiscounted) | <u>-</u> | <u>7,847,540</u> |
| Discount amount | - | (53,430) |
| Lease liabilities (discounted) | <u>-</u> | <u>7,794,110</u> |
| Current | <u>-</u> | <u>7,794,110</u> |
| Non-current | <u>-</u> | <u>-</u> |

The weighted average incremental borrowing rate applied to the lease liabilities during the year ended 31 December 2025 was 2.74% (2024: 2.74%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

(d) Amounts recognised in the consolidated statement of profit or loss for the years ended 31 December 2025 and 2024

| | 2025 HK\$ | 2024 HK\$ |
|---|------------------|-------------------|
| Depreciation expense of right-of-use assets | 7,532,205 | 18,077,291 |
| Interest expenses on lease liabilities | 53,430 | 486,630 |
| | <u>7,585,635</u> | <u>18,563,921</u> |
| Total amount recognised in profit or loss | <u>7,585,635</u> | <u>18,563,921</u> |

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | 2025 HK\$ | 2024 HK\$ |
|---------------------------|----------------|----------------|
| Club debentures, unlisted | <u>300,000</u> | <u>300,000</u> |

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2025 HK\$ | 2024 HK\$ |
|--|--------------------|--------------------|
| Trading securities - at fair value | | |
| - Equity securities, listed in Hong Kong | <u>687,762,112</u> | <u>264,901,245</u> |
| Market value of listed equity securities | <u>687,762,112</u> | <u>264,901,245</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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19. DEBT INSTRUMENTS AT AMORTISED COST

| | 2025 HK\$ | 2024 HK\$ |
|--|----------------------|----------------------|
| <u>Non-current</u> | | |
| United States Treasury Bills | 371,644,710 | 760,642,293 |
| Less: Allowance for impairment losses – Stage 1 | (163,976) | (520,720) |
| | <u>371,480,734</u> | <u>760,121,573</u> |
| <u>Current</u> | | |
| Hong Kong Exchange Fund Bills | 219,903,138 | - |
| United States Treasury Bills | 735,156,036 | 340,921,118 |
| Less: Allowance for impairment losses – Stage 1 | (52,174) | (11,690) |
| | <u>955,007,000</u> | <u>340,909,428</u> |
| Analysed by type of issuers as follows: | | |
| Sovereigns | <u>1,326,487,734</u> | <u>1,101,031,001</u> |
| | <u>1,326,487,734</u> | <u>1,101,031,001</u> |
| Analysed by issue specific credit rating as follows: | | |
| AA+ to AA- | <u>1,326,487,734</u> | <u>1,101,031,001</u> |
| | <u>1,326,487,734</u> | <u>1,101,031,001</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

19. DEBT INSTRUMENTS AT AMORTISED COST (CONTINUED)

The movement in debt instruments at amortised cost is summarised as follow:

| | 2025 HK\$ | 2024 HK\$ |
|------------------------------------|----------------------|----------------------|
| At 1 January | 1,101,031,001 | 3,578,026,183 |
| Additions | 3,195,099,745 | 6,978,914,764 |
| Redemptions | (3,013,383,004) | (6,911,719,567) |
| Classified as assets held for sale | - | (2,595,697,668) |
| | <u>1,282,747,742</u> | <u>1,049,523,712</u> |
| Change in impairment allowance | 316,260 | (462,001) |
| Amortization | 43,423,732 | 51,969,290 |
| | <u>1,326,487,734</u> | <u>1,101,031,001</u> |

The movement in allowance for impairment of debt instruments at amortised cost is as follows:

| | 2025 HK\$ | 2024 HK\$ |
|--|----------------|----------------|
| Beginning of year – Stage 1 | 532,410 | 513,946 |
| Net (reversal)/charge during the year – Stage 1 (note 9) | (316,260) | 462,001 |
| Classified as assets held for sale | - | (443,537) |
| | <u>216,150</u> | <u>532,410</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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19. DEBT INSTRUMENTS AT AMORITISED COST (CONTINUED)

Analysis of the gross carrying amount of debt instruments at amortised cost for which an ECL is recognised as follows according to the stage of ECL:

| | Stage 1 12-month ECL HK\$ | Total HK\$ |
|---|---------------------------------|----------------------|
| Gross carrying amount as at 1 January 2024 | 3,578,540,129 | 3,578,540,129 |
| Originated or purchased financial assets | 6,978,914,764 | 6,978,914,764 |
| Redemptions and others | (6,859,750,277) | (6,859,750,277) |
| Classified as assets held for sale | (2,596,141,205) | (2,596,141,205) |
| | <u>1,101,563,411</u> | <u>1,101,563,411</u> |
| Gross carrying amount as at 31 December 2024 and 1 January 2025 | 1,101,563,411 | 1,101,563,411 |
| Originated or purchased financial assets | 3,195,099,745 | 3,195,099,745 |
| Redemptions and others | (2,969,959,272) | (2,969,959,272) |
| | <u>1,326,703,884</u> | <u>1,326,703,884</u> |
| Gross carrying amount as at 31 December 2025 | <u>1,326,703,884</u> | <u>1,326,703,884</u> |

There were no overdue of debt instruments at amortised cost of the Group as at 31 December 2025 and 2024.

As at 31 December 2025, debt instruments at amortised cost were classified under Stage 1.

20. BANK LOANS

| | 2025 HK\$ | 2024 HK\$ |
|---------------------------|--------------------|----------------------|
| Bank loans – unsecured | <u>553,432,231</u> | <u>1,397,612,915</u> |

At 31 December 2025, the bank loan of the Group was unsecured, borne prevailing market interest rate and repayable within 3 month.

As at 31 December 2025, the Group has banking facilities of HK\$15,001,404,000 (2024: HK\$7,558,000,000) from authorized financial institutions in Hong Kong, of which HK\$550,000,000 (2024: HK\$1,388,240,000) banking facilities has been drawn down.

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21. 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 types of swap transactions undertaken by the Group are foreign exchange rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an exchange of currencies. |

Most of the Group's derivative transactions relate to sales and trading activities. Sales activities include the structuring and marketing of derivative products to customers to enable them to take, transfer, modify or reduce current or expected risks. Activities in derivatives are entered into principally for the purpose of generating profits from short-term fluctuations in price or margin. Positions may be traded actively or be held over a period of time to benefit from expected changes in currency rates, interest rates, equity prices or other market parameter.

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 end of reporting periods and certain of them provide a basis for comparison with fair value instruments recognised in the 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.

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21. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

| | Notional amount HK\$'000 | Assets HK\$ | Liabilities HK\$ |
|--------------------------------|--------------------------------|--------------------|---------------------|
| Derivatives – held for trading | | | |
| At 31 December 2025 | | | |
| Exchange rate contracts | 58,450 | 3,353 | 79,973 |
| Equity contracts | 16,954,329 | 165,027,104 | 333,698,775 |
| | | <u>165,030,457</u> | <u>333,778,748</u> |
| At 31 December 2024 | | | |
| Exchange rate contracts | 4,471 | 643 | 4,140 |
| Equity contracts | 6,915,816 | 206,628,334 | 279,083,250 |
| | | <u>206,628,977</u> | <u>279,087,390</u> |

22. LOANS AND RECEIVABLES

| | 2025 HK\$ | 2024 HK\$ |
|--|-----------------------|-----------------------|
| Account receivables from dealing in securities | 9,545,236,829 | 8,624,536,460 |
| Fees and commission receivable | 90,657,982 | 84,475,937 |
| Deposits, prepayments and other receivables | 431,435,682 | 81,440,478 |
| Loans to customers | 6,402,064,580 | 6,255,774,604 |
| Gross | <u>16,469,395,073</u> | <u>15,046,227,479</u> |
| Less: Impairment allowance | <u>(61,165,564)</u> | <u>(59,716,316)</u> |
| | <u>16,408,229,509</u> | <u>14,986,511,163</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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22. LOANS AND RECEIVABLES (CONTINUED)

The carrying amounts of loans and receivables approximate their fair value.

As at 31 December 2025, deposits, prepayments and other receivables included prepaid expenses of HK\$25,612,760 (2024: HK\$32,584,343).

As at 31 December 2025, the loans to customers, which included approximately HK\$6,402 million (2024: HK\$6,256 million) of receivables from margin clients and repo loans, were secured by listed securities and debt securities held as collateral of fair value of HK\$33,654 million (2024: HK\$37,479 million) and cash deposits of HK\$309 million (2024: HK\$297 million). The Group is permitted to sell or re-pledge such collateral. As at 31 December 2025 and 2024, there were no collateral re-pledged.

The receivables exclude the brokerage client monies maintained in the trust accounts with a clearing participant and other brokers, HKFE Clearing Corporation Limited and the Stock Exchange Options Clearing House of approximately HK\$105 million, HK\$75 million and HK\$228 million respectively as at 31 December 2025 (2024: HK\$53 million, HK\$129 million and HK\$105 million respectively).

During the year, there were no loans to employees which are required to be disclosed pursuant to sections 280 and 281 of the Hong Kong Companies Ordinance.

The movement in the allowance for impairment allowances of loans and receivables is as follows:

| | Stage 1 HK\$ | Stage 3 HK\$ | Total HK\$ |
|--|-----------------|-----------------|---------------|
| At 1 January 2024 | 1,671,689 | 60,598,536 | 62,270,225 |
| Classified as held for sale | (243) | (1,275,952) | (1,276,195) |
| Net reversal for the year | (668,597) | (313) | (668,910) |
| Exchange difference | - | (608,804) | (608,804) |
| At 31 December 2024 and 1 January 2025 | 1,002,849 | 58,713,467 | 59,716,316 |
| Net charge for the year | 876,979 | - | 876,979 |
| Exchange difference | - | 572,269 | 572,269 |
| As at 31 December 2025 | 1,879,828 | 59,285,736 | 61,165,564 |

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22. LOANS AND RECEIVABLES (CONTINUED)

Analysis of the gross carrying amount of loans and receivables for which an ECL is recognised as follows according to the stage of ECL:

| | Stage 1 HK\$ | Stage 3 HK\$ | Total HK\$ |
|---|-----------------------|-------------------|-----------------------|
| Gross carrying amount as at 1 January 2024 | 14,804,937,906 | 60,598,536 | 14,865,536,442 |
| Classified as held for sale | - | (1,275,952) | (1,275,952) |
| Net increase/(decrease) | 149,991,763 | (313) | 149,991,450 |
| Exchange difference | - | (608,804) | (608,804) |
| Gross carrying amount as at 31 December 2024 and 1 January 2025 | 14,954,929,669 | 58,713,467 | 15,013,643,136 |
| Net increase | 1,429,566,908 | - | 1,429,566,908 |
| Exchange difference | - | 572,269 | 572,269 |
| Gross carrying amount as at 31 December 2025 | <u>16,384,496,577</u> | <u>59,285,736</u> | <u>16,443,782,313</u> |

23. CASH AND BALANCES WITH BANKS

| | 2025 HK\$ | 2024 HK\$ |
|---|----------------------|----------------------|
| Cash at banks and in hand | 2,472,302,059 | 3,472,626,667 |
| Placements with banks | | |
| - with original maturity within three months | 527,947,759 | 180,309,436 |
| - with original maturity over three months | 200,550,439 | 163,680,887 |
| Gross | <u>3,200,800,257</u> | <u>3,816,616,990</u> |
| Less: Allowance for impairment losses – Stage 1 | (645,028) | (1,005,631) |
| | <u>3,200,155,229</u> | <u>3,815,611,359</u> |

For the consolidated statement of cash flows purposes, cash and cash equivalents of HK\$157,395,547 (2024: HK\$876,844,834) is included in assets held for sale for the year ended 31 December 2025.

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23. CASH AND BALANCES WITH BANKS (CONTINUED)

The movement in allowance for impairment of cash and balances with banks is as follows:

| | 2025 HK\$ | 2024 HK\$ |
|---|----------------|------------------|
| Beginning of year - Stage 1 | 1,005,631 | 77,550 |
| Classified as held for sale | - | (42,157) |
| Net charge during the year - Stage 1 (note 9) | (360,603) | 970,238 |
| | <u>645,028</u> | <u>1,005,631</u> |
| At 31 December | <u>645,028</u> | <u>1,005,631</u> |

Analysis of the gross carrying amount of cash and balances with banks for which an ECL is recognised as follows according to the stage of ECL:

| | Stage 1 12-month ECL HK\$ | Total HK\$ |
|---|---------------------------------|----------------------|
| Gross carrying amount as at 1 January 2024 | 4,179,069,932 | 4,179,069,932 |
| Net decrease | (362,452,942) | (362,452,942) |
| | <u>3,816,616,990</u> | <u>3,816,616,990</u> |
| Gross carrying amount as at 31 December 2024 and 1 January 2025 | 3,816,616,990 | 3,816,616,990 |
| Net decrease | (615,816,733) | (615,816,733) |
| | <u>3,200,800,257</u> | <u>3,200,800,257</u> |
| Gross carrying amount as at 31 December 2025 | <u>3,200,800,257</u> | <u>3,200,800,257</u> |

The Group maintains trust accounts with authorized institutions as part of its normal business transactions. At 31 December 2025, trust accounts with authorized institutions not otherwise dealt with in the consolidated financial statements amounted to approximately HK\$36,726 million (2024: HK\$26,730 million).

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24. AMOUNTS DUE FROM A FELLOW SUBSIDIARY/TO FELLOW SUBSIDIARIES

Amounts due from a fellow subsidiary are unsecured, interest free and repayable upon demand.

Amounts due to fellow subsidiaries are all non-interest bearing with carrying balances approximated their fair value.

During the year, the Group has entered into securities borrowing and lending arrangements with a fellow subsidiary in the normal course of business on a principal basis, in which it transfers and receives equity securities to and from the fellow subsidiary. The Group has determined that it continues to retain substantially all the risks and rewards of the securities lent and therefore has not derecognised such securities in the consolidated statement of financial position.

Under securities borrowing and lending agreements, cash collateral was required and collected for securities borrowed and lent respectively.

Except for the cash collateral received and deposited under stock borrowing and lending transactions, all the amounts due to fellow subsidiaries of the Group are repayable upon demand and unsecured.

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31 December 2025

25. AMOUNTS DUE FROM/TO THE IMMEDIATE HOLDING COMPANY/A RELATED COMPANY/SUBORDINATED LOANS FROM THE IMMEDIATE HOLDING COMPANY

The Group entered several transactions with the immediate holding company with amounts and terms of the transactions as follows:

- As at 31 December 2025, an amount of HK\$8,208,872,408 (2024: HK\$7,412,686,304) was lent to the immediate holding company for cash management and general funding purpose, which is unsecured, bears prevailing market interest rate and repayable within a year.
- As at 31 December 2024, an amount of HK\$78,000,000 was lent to the immediate holding company for cash management and general funding purpose, which is unsecured, bears prevailing market interest rate and repayable within 1 to 5 years. The amount has been repaid in in 2025.
- As at 31 December 2025, an amount of HK\$14,643,327 (2024: HK\$10,721,789) was lent to the immediate holding company for the same purpose, which is unsecured, interest free and repayable upon demand.
- As at 31 December 2025, an amount of HK\$1,618,030,057 (2024: HK\$1,525,066,505) was borrowed from the immediate holding company by a subsidiary of the Company for cash management and general funding purpose, which is unsecured, bears prevailing market interest rate and repayable within one year.
- As at 31 December 2024, an amount of HK\$77,648,000 was borrowed from the immediate holding company by a subsidiary of the Company for cash management and general funding purpose, which is unsecured, bears prevailing market interest rate and repayable within 1 to 5 years. The amount has been repaid in in 2025.
- As at 31 December 2025, an amount of HK\$498,682,423 (2024: HK\$498,682,423) was borrowed from the immediate holding company by the Company for the same purpose, which is unsecured, interest free and repayable upon demand.
- As at 31 December 2025, an amount of HK\$561,754,118 (2024: HK\$380,430,669) was paid by the immediate holding company on behalf of the Group for daily administrative activities, which is unsecured, interest free and repayable upon demand.

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31 December 2025

25. AMOUNTS DUE FROM/TO THE IMMEDIATE HOLDING COMPANY/A RELATED COMPANY/SUBORDINATED LOANS FROM THE IMMEDIATE HOLDING COMPANY (CONTINUED)

The Group also entered the following transaction with a related company with amounts and terms of the transaction as follows:

- As of 31 December 2024, an amount of HK\$317,934 was due to an associate of the immediate holding company which is unsecured, interest free and repayable upon demand.

The subordinated loans from the immediate holding company were borrowed by a subsidiary of the Company:

- HK\$1,400 million (2024: HK\$1,400 million) drawn under a loan facility maturing on 29 October 2027. The amount shall be repayable with one month notice.
- HK\$500 million (2024: HK\$500 million), drawn under a loan facility maturing on 29 October 2027. The amount shall be repayable with one month notice.

Both subordinated loans are unsecured, bear interest at 1-month HIBOR plus 50 basis points (2024: 1-month HIBOR plus 50 basis points).

The Company has:

- HK\$600 million (2024: HK\$600 million) drawn under a loan facility. Pursuant to the written consent from the SFC dated 31 December 2013, the maturity date of such loan facility is extended to 22 December 2027 with the remaining terms unchanged. The amount shall be repayable with one month notice. The loan is unsecured, bear interest at 1-month HIBOR plus 200 basis points (2024: 1-month HIBOR plus 200 basis points).

The loans were approved and allowed by the SFC 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.

26. ACCOUNTS AND OTHER PAYABLES, AND OTHER PROVISIONS

| | 2025 HK\$ | 2024 HK\$ |
|---|----------------------|----------------------|
| Account payables from dealing in securities | 8,923,898,603 | 7,720,833,884 |
| Discretionary bonus provision | 159,648,903 | 112,629,130 |
| Others payables and accrued expenses | 692,045,088 | 695,466,351 |
| | <u>9,775,592,594</u> | <u>8,528,929,365</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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26. ACCOUNTS AND OTHER PAYABLES, AND OTHER PROVISIONS (CONTINUED)

The carrying amounts of account payables approximate their fair values.

Account payables represent amounts due to brokerage clients, brokers and clearing houses, and are due within one month. Account payables to clients exclude those payables placed in trust accounts with authorized institutions, HKFE Clearing Corporation Limited and Stock Exchange Options Clearing House and other financial institutions, which amounted to approximately HK\$37,133 million as at 31 December 2025 (2024: HK\$27,018 million).

Discretionary bonus provisions represent bonus to be paid to staff. An amount of approximately HK\$3.4 million (2024: HK\$2.8 million) is due more than one year as at 31 December 2025.

Movement of bonus provision during the financial year are set out below:

| | 2025 HK\$ | 2024 HK\$ |
|-----------------------------------|--------------------|--------------------|
| Carrying amount as at 1 January | 112,629,130 | 134,513,424 |
| Over-provision in prior year | (5,038,609) | (8,382,180) |
| Provision made for the year | 150,962,664 | 108,923,560 |
| Settlement made during the year | (98,904,282) | (122,425,674) |
| Carrying amount as at 31 December | <u>159,648,903</u> | <u>112,629,130</u> |

27. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2025 HK\$ | 2024 HK\$ |
|--|-------------------|------------------|
| Trading securities – at fair value | | |
| - Equity securities, listed in Hong Kong | <u>23,104,011</u> | <u>5,315,287</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28. SHARE CAPITAL

| | 2025 HK\$ | 2024 HK\$ |
|---|----------------------|----------------------|
| Issued and fully paid: | | |
| 200,000 (2024: 200,000) ordinary shares | <u>2,000,000,000</u> | <u>2,000,000,000</u> |

29. DISCONTINUED OPERATION AND ASSETS CLASSIFIED AS HELD FOR SALE

During the year ended 31 December 2024, management has principally approved the sale of Bank of China International Limited ("BOCIL") to Bank of China (Hong Kong) Limited ("BOCHK"). On 24 January 2025, the Company has entered into a sale and purchase agreement with BOCHK, pursuant to which BOCHK has agreed to acquire and the Company has agreed to dispose all the issued shares of BOCIL. As at 31 December 2025, the sale was still in progress and subject to satisfaction of the conditions precedent including regulatory approvals. Accordingly, BOCIL was classified as a disposal group held for sale and as a discontinued operation for the years ended 31 December 2024 and 2025. The transaction was completed on 30 January 2026.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

29. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE
(continued)

The results of discontinued operations for the year are as follows:

| | 2025 HK\$ | 2024 HK\$ |
|--|--------------------------|----------------------------|
| Revenue | | |
| <i>Interest income from bank deposits, loans to customers and balances from banks and other financial institutions</i> | 89,273,978 | 154,276,402 |
| Trading gain, net | 45,992 | 87,352 |
| Other income | 230,522,441 | 212,448,605 |
| Total income | <u>319,842,411</u> | <u>366,812,359</u> |
| Commission and clearing expenses | (280,529) | (228,352) |
| Staff costs | (118,545,101) | (131,666,777) |
| Other operating expenses | (64,917,580) | (110,848,117) |
| | <u>(183,743,210)</u> | <u>(242,743,246)</u> |
| Finance costs | <u>(105,736,249)</u> | <u>(148,448,421)</u> |
| Operating profit/(loss) before net charge for impairment allowance | 30,362,952 | (24,379,308) |
| Net credit/(charge) for impairment allowance | 410,574 | (234,603) |
| Profit/(loss) before taxation | <u>30,773,526</u> | <u>(24,613,911)</u> |
| Income tax (expense)/credit | (2,789,960) | 5,160,589 |
| Profit/(loss) from discontinued operations | <u><u>27,983,566</u></u> | <u><u>(19,453,322)</u></u> |

The net cash flows incurred by discontinued operations are as follow:

| | 2025 HK\$ | 2024 HK\$ |
|----------------------|-----------------------------|-----------------------------|
| Operating activities | (685,027,614) | (228,631,185) |
| Investing activities | - | - |
| Financing activities | - | - |
| Net cash outflow | <u><u>(685,027,614)</u></u> | <u><u>(228,631,185)</u></u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

29. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE
(continued)

The major classes of assets classified as held for sale and liabilities associated with assets classified as held for sale are as follows:

| | 2025 HK\$ | 2024 HK\$ |
|---|----------------------|----------------------|
| <u>ASSETS CLASSIFIED AS HELD FOR SALE</u> | | |
| Financial assets at fair value through other comprehensive income | 2,521,913,158 | 1,921,272,987 |
| Statutory deposits and other assets | 15,811 | 18,317 |
| Deferred income tax assets | 3,282,462 | 7,711,478 |
| Debt instruments at amortised cost | 1,414,257,031 | 1,337,344,729 |
| Derivative financial instruments | 2,345,806 | 3,329,922 |
| Loans and receivables | 1,308,678,415 | 1,827,304,097 |
| Cash and balances with banks | 357,875,839 | 1,042,874,731 |
| Total assets classified as held for sale | <u>5,608,368,522</u> | <u>6,139,856,261</u> |
| <u>LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE</u> | | |
| Amounts due to the immediate holding company | 20,458,701 | 59,365,384 |
| Accounts and other payables, and other provisions | 50,223,254 | 39,771,696 |
| Deposits from customers | 3,726,910,731 | 4,256,759,992 |
| Derivative financial instruments | 1,542,693 | 10,697,678 |
| Total liabilities associated with assets classified as held for sale | <u>3,799,135,379</u> | <u>4,366,594,750</u> |
| | <u>1,809,233,143</u> | <u>1,773,261,511</u> |

The cumulative gain/(loss) recognized in other comprehensive income relating to assets classified as held for sale is as follows:

| | 2025 HK\$ | 2024 HK\$ |
|---|------------------|--------------------|
| Cumulative gain/(loss) recognized in other comprehensive income | <u>2,379,328</u> | <u>(5,608,740)</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash flow from operating activities

Reconciliation of profit before taxation to cash used in operating activities:

| | 2025 HK\$ | 2024 HK\$ |
|--|------------------------|------------------------|
| Profit/(loss) before taxation | | |
| – from continuing operations | 1,535,236,617 | 1,072,817,698 |
| – from discontinued operations | 30,773,526 | (24,613,911) |
| | <u>1,566,010,143</u> | <u>1,048,203,787</u> |
| Interest income | (1,880,312,491) | (1,966,541,161) |
| Interest expense | 228,163,318 | 282,323,226 |
| Dividend income | (13,670,414) | (12,479,221) |
| Depreciation of right-of-use assets | 7,532,205 | 18,077,291 |
| Net charge for impairment on financial assets | 208,290 | 997,735 |
| | <u>(92,068,949)</u> | <u>(629,418,343)</u> |
| Increase in statutory deposits and other assets | (14,684,060) | (131,018,070) |
| Increase in loans and receivables | (905,744,771) | (1,966,200,487) |
| Decrease/(increase) in derivative financial instruments – assets | 42,582,636 | (140,847,053) |
| Increase in financial assets at fair value through profit or loss | (422,860,867) | (89,881,675) |
| Increase in financial assets at fair value through other comprehensive income | (591,342,705) | (1,928,727,747) |
| (Increase)/decrease in debt instruments at amortised cost | (302,726,337) | 1,139,556,732 |
| (Increase)/decrease in cash and balances with banks with original maturity over three months | (64,028,261) | 37,288,155 |
| Movement in balances with the immediate holding company, net | (564,375,324) | (801,765,858) |
| Movement in balances with fellow subsidiaries, net | 1,259,103 | 2,496,093 |
| Movement in balances with a related company, net | (317,934) | (12,245) |
| Increase in derivative financial instruments – liabilities | 45,536,373 | 195,753,155 |
| Increase in accounts and other payables | 1,257,114,788 | 2,376,325,552 |
| Decrease in deposits from customers | (847,056,597) | (185,635,646) |
| Increase in financial liabilities at fair value through profit or loss | 17,788,724 | 5,315,287 |
| | <u>17,788,724</u> | <u>5,315,287</u> |
| Cash used in operating activities | <u>(2,440,924,181)</u> | <u>(2,116,772,150)</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Net cash generated from financing activities

Reconciliation of liabilities to net cash generated from financing activities:

| | Bank loans HK\$ | Lease liabilities HK\$ |
|---------------------------------------|----------------------|---------------------------|
| At 1 January 2024 | 392,845,852 | 26,141,576 |
| Changes from financing cash flows | | |
| Proceeds from bank loans | 1,388,240,000 | - |
| Repayment of bank loans | (390,580,000) | - |
| Capital element of lease liabilities | - | (18,347,466) |
| Other changes | | |
| Finance charges on bank loans | 11,185,597 | - |
| Interest element on bank loans | (4,078,534) | - |
| Finance charges on lease liabilities | - | 486,630 |
| Interest element of lease liabilities | - | (486,630) |
| At 31 December 2024 | <u>1,397,612,915</u> | <u>7,794,110</u> |
| At 1 January 2025 | 1,397,612,915 | 7,794,110 |
| Changes from financing cash flows | | |
| Proceeds from bank loans | 550,000,000 | - |
| Repayment of bank loans | (1,388,240,000) | - |
| Capital element of lease liabilities | - | (7,794,110) |
| Other changes | | |
| Finance charges on bank loans | 6,588,962 | - |
| Interest element on bank loans | (12,529,646) | - |
| Finance charges on lease liabilities | - | 53,430 |
| Interest element of lease liabilities | - | (53,430) |
| At 31 December 2025 | <u>553,432,231</u> | <u>-</u> |

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

| | 2025 HK\$ | 2024 HK\$ |
|-----------------------------|------------------|-------------------|
| Within operating activities | 53,430 | 486,630 |
| Within financing activities | 7,794,110 | 18,347,466 |
| | <u>7,847,540</u> | <u>18,834,096</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

31. RELATED PARTY TRANSACTIONS

Other than related party transactions disclosed elsewhere in the consolidated financial statements, the major transactions with related parties which the Group entered into during the year are summarised as follows:

(a) Summary of transactions entered into during the ordinary course of business with BOC International Holdings Limited and its subsidiaries, Bank of China Limited and its subsidiaries, and associates of BOC International Holdings Limited

| <u>2025</u> | Notes | BOC International Holdings Limited and its subsidiaries HK\$'000 | Bank of China Limited and its subsidiaries HK\$'000 | Associates of BOC International Holdings Limited HK\$'000 |
|---|-------|---|--|--|
| <u>Consolidated statement of profit or loss</u> | | | | |
| Interest income from bank deposits | i | 3,211 | 66,671 | - |
| Other income – interest income | i | 248,342 | 20,793 | 57 |
| Brokerage commission | ii | 40,086 | 937,298 | - |
| Commission expenses arising from brokerage activities | ii | (1,766) | (391,100) | (571) |
| Underwriting and placement commission | iii | - | 9,647 | - |
| Commission expenses arising from corporate finance activities and underwriting activities | iii | - | (3,111) | (18) |
| Management fee income | iv | 76,930 | - | - |
| Management fee expense | v | (785,544) | - | - |
| Interest expense on loans and other borrowings | vii | (160,475) | (25,790) | - |
| Interest expense on customer deposits | viii | - | (213) | - |
| Property management related expenses | ix | (2,138) | (7,269) | - |
| Staff medical, recruitment, training & welfare expenses | x | - | (15,363) | - |
| Bank charges | xi | - | (13,054) | - |
| Marketing and business promotion expenses | xii | - | (21,063) | - |
| Interest expense – lease related | xiii | - | (53) | - |
| | | <u> </u> | <u> </u> | <u> </u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

31. RELATED PARTY TRANSACTIONS (continued)

(a) Summary of transactions entered into during the ordinary course of business with BOC International Holdings Limited and its subsidiaries, Bank of China Limited and its subsidiaries, and associates of BOC International Holdings Limited (continued)

| <u>2024</u> | Notes | BOC International Holdings Limited and its subsidiaries HK\$'000 | Bank of China Limited and its subsidiaries HK\$'000 | Associates of BOC International Holdings Limited HK\$'000 |
|---|-------|---|--|--|
| <u>Consolidated statement of profit or loss</u> | | | | |
| Interest income from bank deposits | i | 5,485 | 46,179 | - |
| Other income – interest income | i | 308,873 | 11,924 | - |
| Brokerage commission | ii | 34,203 | 539,283 | - |
| Commission expenses arising from brokerage activities | ii | (214) | (221,071) | (395) |
| Underwriting and placement commission | iii | - | 6,275 | - |
| Commission expenses arising from corporate finance activities and underwriting activities | iii | - | (486) | - |
| Management fee income | iv | 41,200 | - | - |
| Management fee expense | v | (709,372) | - | - |
| Interest expense on loans and other borrowings | vii | (230,968) | (9,295) | - |
| Interest expense on customer deposits | viii | (120) | (241) | - |
| Property management related expenses | ix | (6,897) | (5,814) | - |
| Staff medical, recruitment, training & welfare expenses | x | - | (8,570) | - |
| Bank charges | xi | - | (2,306) | - |
| Marketing and business promotion expenses | xii | - | (19,025) | - |
| Interest expense – lease related | xiii | - | (487) | - |
| | | <u> </u> | <u> </u> | <u> </u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

31. RELATED PARTY TRANSACTIONS (continued)

(a) **Summary of transactions entered into during the ordinary course of business with BOC International Holdings Limited and its subsidiaries, Bank of China Limited and its subsidiaries, and associates of BOC International Holdings Limited (continued)**

| <u>2025</u> | Notes | BOC International Holdings Limited and its subsidiaries HK\$'000 | Bank of China Limited and its subsidiaries HK\$'000 | Associates of BOC International Holdings Limited HK\$'000 |
|--|-------|---|--|--|
| <u>Consolidated statement of financial position</u> | | | | |
| Bank balances and cash | i | - | 2,328,454 | - |
| Account receivables from dealing in securities | ii | 750,314 | 4,092,309 | 367 |
| Fee and commission receivable | iii | - | 22,432 | - |
| Derivative and other financial instruments (assets) | vi | 4,144 | 1,318 | - |
| Account payables arising from dealing in securities | ii | 571,362 | 4,774,919 | - |
| Derivative and other financial instruments (liabilities) | vi | 27,569 | 1,327 | - |
| Deposits from customers | viii | 224,860 | 2,243 | - |
| Bank loans | xv | - | 553,432 | - |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31. RELATED PARTY TRANSACTIONS (continued)

(a) Summary of transactions entered into during the ordinary course of business with BOC International Holdings Limited and its subsidiaries, Bank of China Limited and its subsidiaries, and associates of BOC International Holdings Limited (continued)

| <u>2024</u> | Notes | BOC International Holdings Limited and its subsidiaries HK\$'000 | Bank of China Limited and its subsidiaries HK\$'000 | Associates of BOC International Holdings Limited HK\$'000 |
|--|-------|---|--|--|
| <u>Consolidated statement of financial position</u> | | | | |
| Bank balances and cash | i | - | 3,493,283 | - |
| Account receivables from dealing in securities | ii | 107,720 | 3,342,812 | 270,371 |
| Fee and commission receivable | iii | - | 25,868 | - |
| Derivative and other financial instruments (assets) | vi | 556 | 2,989 | - |
| Right-of-use assets | xiii | - | 7,532 | - |
| | | ===== | ===== | ===== |
| Account payables arising from dealing in securities | ii | 488,903 | 4,611,232 | - |
| Amounts due to a related company | iii | - | - | 318 |
| Derivative and other financial instruments (liabilities) | vi | 49,574 | 96 | - |
| Deposits from customers | viii | 246,196 | 2,211 | - |
| Lease liabilities | xiii | - | 7,794 | - |
| Bank loans | xv | - | 1,005,860 | - |
| | | ===== | ===== | ===== |

- (i) Interest income from bank deposits and bank balances and interest income from the immediate holding company and fellow subsidiaries of BOCI Group

In the ordinary course of business, the Group placed its cash and short-term funds with Bank of China Limited and its related entities.

The Group also received interest income from amounts lent to BOCI Group companies for cash management purpose as disclosed in note 6 and note 25 to the consolidated financial statements.

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31 December 2025

31. RELATED PARTY TRANSACTIONS (continued)

(a) Summary of transactions entered into during the ordinary course of business with BOC International Holdings Limited and its subsidiaries, Bank of China Limited and its subsidiaries, and associates of BOC International Holdings Limited (continued)

(ii) Commission income and expense arising from brokerage activities

During the year, the Group earned brokerage commission from securities dealing of approximately HK\$40,086,000 and HK\$937,298,000 (2024: approximately HK\$34,203,000 and HK\$539,283,000) from fellow subsidiaries controlled by BOCI Group and Bank of China Limited and its subsidiaries respectively as a result of securities transactions executed in Hong Kong. In return, the Group paid approximately HK\$1,766,000 and HK\$391,100,000 (2024: approximately HK\$214,000 and HK\$221,071,000) as commission expenses.

As at 31 December 2025, the Group had a net receivable of approximately HK\$178,952,000 from fellow subsidiaries in BOC International Holdings Limited Group and net payable of approximately HK\$682,610,000 to Bank of China Limited and its subsidiaries as a result of the above transactions executed (2024: net payable of approximately HK\$433,591,000 to fellow subsidiaries in BOC International Holdings Limited Group and net payable of approximately HK\$1,268,420,000 to Bank of China Limited and its subsidiaries as a result of the above transactions executed).

(iii) Underwriting and placement commission income, corporate finance and other fees and commission expenses

In the ordinary course of business, the Group provided underwriting and placement, and corporate finance service to customers and received commission income. During the year, the Group earned a total income of approximately HK\$9,647,000 from Bank of China Limited and its subsidiaries (2024: approximately HK\$6,275,000). As at 31 December 2025, the Group had an outstanding fee receivable of approximately HK\$22,432,000 from Bank of China Limited and its subsidiaries (2024: approximately HK\$25,868,000).

During the year ended 31 December 2025, the Group incurred underwriting commission expense and corporate finance commission expenses of HK\$3,111,000 to Bank of China Limited and its subsidiaries (2024: 486,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

31. RELATED PARTY TRANSACTIONS (continued)

(a) Summary of transactions entered into during the ordinary course of business with BOC International Holdings Limited and its subsidiaries, Bank of China Limited and its subsidiaries, and associates of BOC International Holdings Limited (continued)

(iv) Management fee income

The Group has agreements with fellow subsidiaries BOCI Leveraged & Structured Finance Limited, BOCI Financial Products Limited and BOCI Private Wealth Management Limited, under which the Group provides management and administrative services in return for a fee which is agreed and reviewed on an annual basis. These agreements can be terminated by either party giving not less than one month's written notice.

(v) Management fee expense

The Group has agreements with the immediate holding company, BOC International Holdings Limited and its fellow subsidiaries, BOC International (Singapore) Pte. Ltd., and Bank of China International (UK) Limited under which the immediate holding company and the fellow subsidiaries provide administration and support services to the Group in return for a fee which is agreed and reviewed on an annual basis. These agreements can be terminated by all parties giving not less than one month's written notice.

(vi) Derivative and other financial instruments (assets/liabilities) and net realised/unrealised gain/(loss) on financial assets and financial liabilities

In the ordinary course of business, the Group entered into foreign exchange swap contracts with its immediate holding company, BOC International Holdings Limited for funding purposes.

In the ordinary course of business, the Group entered into equity contracts and exchange rate contracts with fellow subsidiaries of BOCI Group and other subsidiaries of Bank of China Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

31. RELATED PARTY TRANSACTIONS (continued)

(a) Summary of transactions entered into during the ordinary course of business with BOC International Holdings Limited and its subsidiaries, Bank of China Limited and its subsidiaries, and associates of BOC International Holdings Limited (continued)

(vii) Loans and related interest expenses

In the ordinary course of business, the Group obtained loans from BOC International Holdings Limited and Bank of China Limited and its subsidiaries to finance its margin financing activities and daily operations. During the year, the Group paid an interest expense of approximately HK\$160,475,000 and HK\$25,790,000 for the loans obtained from BOC International Holdings Limited and a subsidiary of Bank of China Limited respectively (2024: approximately HK\$230,968,000 and HK\$9,295,000).

(viii) Deposits from customers and interest expense on customer deposits

In the ordinary course of business, the Group accepted deposits from fellow subsidiaries in BOC International Holdings Limited and Bank of China Limited and its subsidiaries. As at 31 December 2025, the outstanding customer deposits amounted to approximately HK\$224,860,000 and HK\$2,243,000 respectively (2024: approximately HK\$246,196,000 and HK\$2,211,000) and interest expenses of approximately HK\$213,000 (2024: approximately HK\$361,000) were paid during the year.

(ix) Property management related expenses

In the ordinary course of business, the Group and its immediate holding company, BOC International Holdings Limited have lease agreements with Bank of China Limited and its subsidiaries.

Also, the Group's immediate holding company, BOC International Holdings Limited, has lease agreements with external parties and the Group was recharged for the property management related expenses by its immediate holding company.

(x) Staff medical, recruitment, training & welfare expenses

The Group paid fees to Bank of China Limited and its subsidiaries for the insurance and training services provided to the Group.

(xi) Bank charges

In the ordinary course of business, the Group has incurred bank charges to Bank of China Limited and its subsidiaries as a result of its daily operations.

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31. RELATED PARTY TRANSACTIONS (continued)

(a) **Summary of transactions entered into during the ordinary course of business with BOC International Holdings Limited and its subsidiaries, Bank of China Limited and its subsidiaries, and associates of BOC International Holdings Limited (continued)**

(xii) Marketing and business promotion expenses

The Group paid fees to Bank of China Limited and its subsidiaries for the marketing and business promotion services provided to the Group.

(xiii) Right-of-use assets and lease liabilities

The Group has lease agreements with Bank of China Limited and its subsidiaries, under which the Group pays lease payments for the use of underlying right-of-use assets. Under HKFRS 16, the Group recognised right-of-use assets and lease liabilities, representing the right to use the underlying assets and the present value of lease payments to be made over the lease term respectively.

At 31 December 2025, the Group recognised right-of-use assets of HK\$Nil (2024: HK\$54,231,873) with accumulated depreciation of right-of-use assets of HK\$Nil (2024: HK\$46,699,668) and lease liabilities of HK\$Nil (2024: HK\$7,794,110) in respect of the lease agreements signed with Bank of China Limited and its subsidiaries. Interest expense of HK\$53,430 (2024: HK\$486,630) was paid to Bank of China Limited and its subsidiaries for the relevant lease agreements.

(xiv) Key management compensation

Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The Group considered the directors are key managements and their compensation was disclosed in note 8 to the consolidated financial statements.

(xv) As at 31 December 2025, the Group has obtained banking and other facilities amounting to HK\$14,576,404,000 (2024: approximately HK\$7,133,000,000) from Bank of China Limited and its subsidiaries. As at 31 December 2025, bank loans with principal amount of totaling HK\$550,000,000 have been drawn down (2024: HK\$1,000,000,000).

(b) **Transaction with BOC Poverty Relief and Education Charity Fund Limited**

BOCI Group has established a charitable fund, namely BOC Poverty Relief and Education Charity Fund Limited (the "Charity Fund"), in 2008 and registered with Inland Revenue Department of Hong Kong SAR Government.

During the year, the Group had not accepted deposits nor paid interest expenses (2024: Nil) to the Charity Fund. As at 31 December 2025, there is no outstanding customer deposits (2024: Nil) placed by the Charity Fund.

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32. CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Fair value of derivatives or other financial instruments

The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data. Changes in methodologies about these valuation techniques could affect reported fair value of financial instruments.

Impairment allowance on loans and receivables

In determining ECL, the Group applies judgement in determining what is considered to be a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and assessment of future economic conditions. Judgement has been applied in determining the lifetime and point of initial recognition of revolving facilities. The probability of default ("PD") and loss given default ("LGD") models which support these determinations are reviewed regularly in light of differences between loss estimates and actual loss experience. Refer to notes 9 to these consolidated financial statements for details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

32. CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

Taxes

Determining tax provisions involves significant judgement. There are many transactions and calculation for which the ultimate tax determination is uncertain. The Group evaluates tax implications of transactions and tax provisions are set up accordingly. Deferred tax assets are recognised for tax losses not yet used and temporary deductible difference arising from provisions. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

Revenue recognition of corporate finance income on sponsorship fees

The Group generates corporate finance income from sponsorship services. Revenue is recognised on a project basis over time based on output method. The stage of completion assessment is made to determine the amount of revenue to recognise based on the estimated time and effort made on a particular project. Revenue is recognised to the extent of the stage of completion with respect to the performance obligations fulfilled. Any advances received are included in contract liabilities.

33. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

On 24 January 2025, the Company entered into a sales and purchase agreement with BOC Hong Kong (Holdings) Limited to acquire all the issued shares of Po Sang Securities. The completion of the transactions are subject to satisfaction of the conditions precedent including regulatory approvals. The transaction were completed on 30 January 2026.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 April 2026.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting periods is as follows:

| | 2025 HK\$ | 2024 HK\$ |
|--|----------------------|----------------------|
| NON-CURRENT ASSETS | | |
| Plant and equipment | - | - |
| Investment in subsidiaries | 713,299,071 | 713,299,071 |
| Deferred income tax assets | 332,560 | 223,002 |
| Debt instruments at amortised cost | 371,480,734 | 760,121,573 |
| Statutory deposits and other assets | 271 | 409 |
| Amounts due from the immediate holding company | - | 78,000,000 |
| | <u>1,085,112,636</u> | <u>1,551,644,055</u> |
| Total non-current assets | 1,085,112,636 | 1,551,644,055 |
| CURRENT ASSETS | | |
| Financial assets at fair value through profit or loss | 685,079,667 | 263,062,339 |
| Debt instruments at amortised cost | 955,007,000 | 340,909,428 |
| Derivative financial instruments | 103,102,319 | 63,176,932 |
| Accounts and other receivables | 269,191,368 | 227,140,570 |
| Amounts due from the immediate holding company | 2,835,458,292 | 2,326,210,494 |
| Amounts due from a fellow subsidiary | 38,315 | - |
| Amounts due from a subsidiary | 4,305,056 | 2,812,109 |
| Cash and balances with banks | 892,117,458 | 1,008,338,619 |
| | <u>5,744,299,475</u> | <u>4,231,650,491</u> |
| Assets classified as held for sale | 1,009,492,975 | 1,009,492,975 |
| | <u>6,753,792,450</u> | <u>5,241,143,466</u> |
| Total current assets | 6,753,792,450 | 5,241,143,466 |
| CURRENT LIABILITIES | | |
| Subordinated loan from the immediate holding company | 600,000,000 | 600,000,000 |
| Amounts due to the immediate holding company | 1,620,202,692 | 1,441,870,040 |
| Amounts due to fellow subsidiaries | 4,948,645 | 1,996,453 |
| Amounts due to a related company | - | 317,934 |
| Accounts and other payables, and other provisions | 713,287,272 | 684,448,024 |
| Derivative financial instruments | 271,817,309 | 135,628,428 |
| Financial liabilities at fair value through profit or loss | 23,104,011 | 5,315,287 |
| Taxation payable | - | 79,983 |
| | <u>3,233,359,929</u> | <u>2,869,656,149</u> |
| Total current liabilities | 3,233,359,929 | 2,869,656,149 |
| | <u>3,520,432,521</u> | <u>2,371,487,317</u> |
| NET CURRENT ASSETS | 3,520,432,521 | 2,371,487,317 |
| | <u>3,520,432,521</u> | <u>2,371,487,317</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | <u>4,605,545,157</u> | <u>3,923,131,372</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS


31 December 2025

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

| | 2025 HK\$ | 2024 HK\$ |
|--|----------------------|----------------------|
| TOTAL ASSETS LESS CURRENT LIABILITIES | 4,605,545,157 | 3,923,131,372 |
| NON-CURRENT LIABILITIES | | |
| Amounts due to the immediate holding company | - | 77,648,000 |
| Total non-current liabilities | - | 77,648,000 |
| NET ASSETS | <u>4,605,545,157</u> | <u>3,845,483,372</u> |
| EQUITY | | |
| Share capital | 2,000,000,000 | 2,000,000,000 |
| Retained earnings | <u>2,605,545,157</u> | <u>1,845,483,372</u> |
| Total equity | <u>4,605,545,157</u> | <u>3,845,483,372</u> |

The financial position of the Company was approved by the Board of Directors on 28 April 2026 and was signed on its behalf:


.....
WU Ziwei
Director


.....
Li Kai
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserve is as follows:

| | Share capital HK\$ | Retained earnings HK\$ | Total HK\$ |
|---|-----------------------|------------------------------|----------------------|
| Balance at 1 January 2024 | 2,000,000,000 | 2,142,243,201 | 4,142,243,201 |
| Total comprehensive loss for the year | - | (296,759,829) | (296,759,829) |
| Balance at 31 December 2024 | <u>2,000,000,000</u> | <u>1,845,483,372</u> | <u>3,845,483,372</u> |
| Balance at 1 January 2025 | 2,000,000,000 | 1,845,483,372 | 3,845,483,372 |
| Total comprehensive income for the year | - | 760,061,785 | 760,061,785 |
| Balance at 31 December 2025 | <u>2,000,000,000</u> | <u>2,605,545,157</u> | <u>4,605,545,157</u> |