

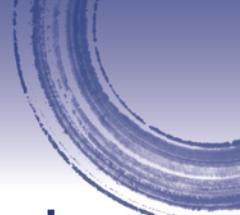


交銀國際控股有限公司
BOCOM International Holdings Company Limited

(Incorporated in Hong Kong with limited liability)
Stock code: 3329

Interim Report
2017





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Definitions

“Board” or “Board of Directors”	the Board of Directors of the Company
“BOCOM”	Bank of Communications Co., Ltd. (交通銀行股份有限公司), established in 1908, a company registered in the PRC as a joint stock limited liability company on 24 December 2004, the H shares and A shares of which are listed on the Stock Exchange and the Shanghai Stock Exchange, respectively, and the ultimate controlling shareholder of the Company
“BOCOM International (Shanghai)”	BOCOM International (Shanghai) Equity Investment Management Company Limited (交銀國際(上海)股權投資管理有限公司), a company incorporated in the PRC with limited liability on 25 October 2010 and a subsidiary of the Company
“BOCOM Nominee”	Bank of Communications (Nominee) Company Limited, a company incorporated in Hong Kong with limited liability on 21 August 1981 and a subsidiary of BOCOM and a shareholder of the Company holding Shares on trust for BOCOM
“Company”	BOCOM International Holdings Company Limited (交銀國際控股有限公司), a company incorporated in Hong Kong with limited liability on 3 June 1998, the issued Shares of which are listed on the Main Board of the Stock Exchange
“Corporate Governance Code”	code on corporate governance practices contained in Appendix 14 to the Listing Rules
“Director(s)”	director(s) of the Company
“Expectation Investment”	Expectation Investment Limited, a company incorporated in Hong Kong with limited liability on 29 January 1997, an indirect subsidiary of BOCOM and a shareholder of the Company
“Group” or “we” or “us”	the Company and its subsidiaries
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Date”	19 May 2017, the date on which the Shares were first listed on the Stock Exchange and from which dealings in the Shares on the Stock Exchange commenced
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)

“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“MOP”	Macau Pataca, the lawful currency of Macau
“PRC”	People’s Republic of China
“Reporting Period” or “Period”	the six months ended 30 June 2017
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Stock Exchange”	the Shanghai Stock Exchange (上海證券交易所)
“Share(s)”	ordinary share(s) in the capital of the Company
“Stock Exchange” or “HKEx”	The Stock Exchange of Hong Kong Limited
“US”	the United States of America
“USD” or “US\$”	United States dollars, the lawful currency of the United States

Corporate Information

BOARD OF DIRECTORS

Executive Directors

TAN Yueheng (*Chairman*)
LI Ying (*President*)
CHENG Chuange (*Deputy Chief Executive Officer*)

Non-executive Directors

WANG Yijun
LIN Zhihong
SHOU Fugang

Independent Non-executive Directors

TSE Yung Hoi
MA Ning
LIN Zhijun

BOARD COMMITTEES

Executive Committee

TAN Yueheng (*Chairman*)
LI Ying
CHENG Chuange
XI Xuanhua*

Audit and Risk Management Committee

LIN Zhijun (*Chairman*)
TSE Yung Hoi
LIN Zhihong

Remuneration Committee

TSE Yung Hoi (*Chairman*)
MA Ning
LIN Zhijun
SHOU Fugang

Nomination Committee

TAN Yueheng (*Chairman*)
WANG Yijun
TSE Yung Hoi
MA Ning
LIN Zhijun

JOINT COMPANY SECRETARIES

YI Li
KWONG Yin Ping, Yvonne

AUTHORISED REPRESENTATIVES

CHENG Chuange
KWONG Yin Ping, Yvonne

HEADQUARTERS, REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

9/F, Man Yee Building, 68 Des Voeux Road Central,
Hong Kong

LEGAL ADVISER

As to Hong Kong Laws

Freshfields Bruckhaus Deringer

* Ms. XI Xuanhua is a deputy chief executive officer of the Company.

AUDITOR

PricewaterhouseCoopers

COMPLIANCE ADVISER

Haitong International Capital Limited

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong

PRINCIPAL BANKERS

Bank of Communications Co., Ltd. Hong Kong Branch
Standard Chartered Bank (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited
Industrial Bank Co., Ltd. Hong Kong Branch
Agricultural Bank of China, Hong Kong Branch
China CITIC Bank International Limited
OCBC Wing Hang Bank Limited
Dah Sing Bank

COMPANY WEBSITE

www.bocomgroup.com

Management Discussion And Analysis

MARKET REVIEW

In the first half of 2017, the world economy grew steadily, while uncertainties and risks remained. The US economic growth and labour market continued to strengthen, driving US Federal Reserve to raise its benchmark interest rate twice in the first half of the year. Other indicators, such as inflation and retail sales were soft, and the US dollar index continued to slide. Japan's gross domestic product (GDP) has expanded for 5 consecutive quarters. Since the beginning of 2017, inflation kept rising in Japan, but still far from Bank of Japan's 2% target. Bank of Japan has maintained the loose monetary policy. Economic recovery in Eurozone was steady, but youth unemployment rate remained high. The European Central Bank's ultra-easy monetary policy has remained unchanged.

China's economic growth remained robust, with GDP growth rate at 6.9% for the first half of 2017. The establishment of Xiong'an New Area will advance the coordination and development of Beijing-Tianjin-Hebei region, and will serve as a new economic momentum. The inclusion of China's A-shares into the MSCI Emerging Markets Index and the MSCI All Country World (ACWI) Index is a recognition of China's achievement in capital market open-up. The National Financial Work Conference reiterated the direction of China's financial development and emphasised three tasks at the meeting: financial sector serving the real economy, containing financial risks and deepening financial reforms. The northbound Bond Connect was officially launched, providing a convenient channel for overseas investors to invest in mainland bonds. The cross-border capital flow had stabilised in the first half of 2017. China's foreign reserves increased by US\$46.3 billion from the end of last year, and RMB was strengthened by about 2.34% against USD in the first six months.

The Hang Seng Index has been one of the best performing indices globally year to date. The index closed at 25,764.58 on 30 June 2017, rising 17.1% from the end of last year. The average daily turnover was HK\$76.0 billion for the first half of 2017, up 12.6% year-on-year. There were a total of 72 new listings in Hong Kong for the first six months of 2017. Total funds raised reached HK\$53.6 billion, an increase of 22.9% year-on-year. Shanghai Stock Exchange Composite Index closed at 3,192.43, up 2.9% from the end of last year. The bullish market in Hong Kong has attracted southbound capital inflow from mainland China investors. In the first half of 2017, the funds inflow via the mutual market totaled HK\$151.7 billion, and the average daily turnover of Southbound trading under the Stock Connect represented 10% of the total stock market turnover in Hong Kong.

There was a sharp performance divergence between the large capitalisation and small capitalisation stocks in Hong Kong's recent bullish market. In the first half of 2017, Hang Seng Composite LargeCap, MidCap and SmallCap Index rose by 19.2%, 14.3% and 6.7%, respectively, while the HKEx GEM Index plunged by 20.9%. From a sector perspective, the information technology sector was leading with a 38.7% gain in the first six months of 2017. The property and service sectors followed with a return of 25.8% and 19.4%, respectively. The energy sector was the only sector with a negative return in the first half of 2017 among all the 11 sectors.

BUSINESS REVIEW

The Company was one of the earliest licensed securities firms with a PRC background in Hong Kong. Our relationship with BOCOM, our ultimate controlling shareholder, which created synergies for the Group, and together with dedicated and experienced professionals in the securities and financial services contributed to the success of the Group. Our core competitive strength is our ability to offer comprehensive and integrated securities and financial products and services to our clients. The principal business lines of the Group comprise securities brokerage and margin financing, corporate finance and underwriting, investment and loans, and asset management and advisory. For the Reporting Period, total revenue increased from HK\$398.1 million to HK\$449.7 million compared to the corresponding period in 2016. Profit for the Period was approximately HK\$110.6 million, representing a decrease of approximately 20.7% over HK\$139.5 million for the corresponding period in 2016 which was primarily due to one-off listing related expenses arising from the IPO of the Company, increased staff costs and finance costs incurred during the Reporting Period.

Securities Brokerage and Margin Financing

Our securities brokerage business includes executing trades on behalf of clients in stocks, bonds, futures, options and other marketable securities. Trading of various securities products, with a primary focus on stocks of companies listed on the Stock Exchange, and other types of securities, including eligible A shares under the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, B shares of listed companies on the PRC stock exchanges, US stocks and bonds as well as futures and other exchange-tradable securities. Futures contract products include Hang Seng Index futures, mini-Hang Seng Index futures and options, H-shares index futures and options, mini-H-shares index futures and options and stock futures.

During the Reporting Period, our commission and fee income from the securities brokerage business recorded an increase from HK\$69.5 million to HK\$78.4 million representing a growth of 12.8% as compared to the six months ended 30 June 2016. This was primarily due to increase of stock market turnover and our market share.

Our margin financing business includes offering collateralised financing relating to securities transactions to retail, corporate and high-net-worth customers. Interest income from margin loans for the Reporting Period was HK\$162.8 million compared to HK\$166.3 million for the corresponding period in 2016. We continue to adopt a prudent approach and closely monitor our margin loans and review each individual margin loan (including the quality and value of collaterals) at regular intervals for impairment assessment. During the Reporting Period, the recoverability of a margin loan, for which the collateral was a stock suspended from trading, had been considered remote, and accordingly, a full provision in the amount of HK\$11.0 million was made in respect of the loan (six months ended 30 June 2016: Nil).

Corporate Finance and Underwriting

Our corporate finance and underwriting business includes initial public offering (“IPO”) sponsorship and financial advisory, equity underwriting and placing and debt underwriting services. We provide one-stop corporate finance and underwriting solutions to corporate clients. In respect of IPO sponsorship services, we primarily focused on relatively more established companies qualified for listing on the Main Board of the Stock Exchange. We also provide a broad range of financial advisory services including general financial advisory services, local and cross border mergers and acquisitions (“M&A”) advisory services, debt and equity capital raising advisory services and compliance advisory services to listed companies in Hong Kong. In respect of equity underwriting and placing services, during the Reporting Period, we had completed three IPO projects in which we acted as global coordinator and/or bookrunner, two of which we also acted as sponsor, and one equity placement project in which we acted as placement agent. We also provide underwriting services for a wide range of debt securities. During the Reporting Period, we had completed ten debt underwriting transactions for financial institutions, corporates and government authorities in Hong Kong, the PRC and overseas.

During the Reporting Period, commissions and fee income from corporate finance and underwriting services was HK\$53.0 million compared to HK\$53.1 million for the corresponding period in 2016.

Asset Management and Advisory

Our asset management and advisory business comprises mutual fund management, specialised asset management, private equity fund management and investment advisory. During the Reporting Period, we managed one umbrella fund comprising three sub-funds of which two are equity funds and one is a debt fund. We offer customised asset management services based on asset size and needs. We establish fund management special purpose vehicles as investment platform, through which we manage assets for clients. We establish, invest in and manage private equity funds, acting as the general partner, investment adviser and/or fund manager. The Company operates its Renminbi private equity funds and provides investment advisory services in the PRC through BOCOM International (Shanghai). As at 30 June 2017, the total amount of assets under management (AUM) was approximately HK\$23,946.2 million, representing an increase of approximately 73.0% from HK\$13,843.3 million as at 31 December 2016. During the Reporting Period, asset management and advisory fee income was approximately HK\$58.0 million which comprised of management fee income of HK\$43.9 million (an increase of approximately 159.8% from HK\$16.9 million for the corresponding period in 2016) and advisory fee income of HK\$14.1 million.

Investment and Loans

Our investment and loans business comprises investment in equity and fixed income securities as well as public and private funds on a proprietary basis, structured finance and loans to enterprises to meet financing needs such as, pre-IPO financing, financing relating to offshore M&As, privatisation and management buy-outs, other investment banking related businesses, and direct investment in equity of private companies.

We aim to, and may, adjust our business strategies to achieve a balance between mitigating investment risk and obtaining investment returns. We generally prefer fixed income securities of high quality and better return such as securities issued by established PRC state-owned enterprises and companies from the financial sector; and focus on value investing and growth industries such as TMT, healthcare, high-end manufacturing and consumer goods. Investment decisions are made based on assessment of factors including the business, financial condition, liquidity and prospects of issuers, terms of fixed income securities and credit ratings (if any). The Company conducts its direct equity investment business in the PRC through its subsidiaries, BOCOM International (Shanghai) and BOCOM International Equity Investment Management (Shenzhen) Company Limited.

During the Reporting Period, interest income from loans and advances was HK\$7.1 million, representing an increase of approximately 688.9% as compared to HK\$0.9 million for the corresponding period in 2016. Proprietary trading income in the first half of 2017 was HK\$90.4 million which represented a substantial increase of 75.5% as compared to the corresponding period in 2016. This was due to an increase in fixed income investment.

FINANCIAL REVIEW

Revenue

The Group's revenue for the Reporting Period was approximately HK\$449.7 million, representing an increase of approximately 13.0% over HK\$398.1 million for the corresponding period in 2016, primarily due to increases of proprietary trading income and commission and fee income as a result of the improved market condition in Hong Kong.

The following table sets out the breakdown of the revenue by segment for the Reporting Period and the corresponding period in 2016, respectively:

	Six months ended 30 June			
	2017		2016	
	HK\$'million	%	HK\$'million	%
Brokerage	78.4	17.4	69.5	17.4
Corporate finance and underwriting	53.0	11.8	53.1	13.3
Asset management and advisory	58.0	12.9	56.8	14.3
Margin financing	162.8	36.2	166.3	41.8
Investment and loans	97.5	21.7	52.4	13.2
Total	<u>449.7</u>	<u>100.0</u>	<u>398.1</u>	<u>100.0</u>

Profit for the period

The Group's profit for the Reporting Period was approximately HK\$110.6 million, representing a decrease of approximately 20.7% over HK\$139.5 million for the corresponding period in 2016, primarily due to one-off listing related expenses arising from the IPO of the Company, increased staff costs and finance costs.

Liquidity, Financial Resources and Gearing Ratio

The Group's cash and bank balances as at 30 June 2017 decreased by HK\$182.0 million to HK\$322.1 million (31 December 2016: HK\$504.1 million).

The Group's net current asset increased by HK\$656.6 million to approximately HK\$2,650.1 million as at 30 June 2017 from HK\$1,993.5 million as at 31 December 2016. The current ratio, being the ratio of current assets to current liabilities, was approximately 1.6 times as at 30 June 2017 (31 December 2016: 1.4 times).

As at 30 June 2017, the Group had bank borrowings of HK\$3,411.6 million (31 December 2016: HK\$4,848.0 million) while the subordinated loans from the ultimate holding company amounted to HK\$1,000 million (31 December 2016: HK\$1,000 million). The decrease was due to repayment of bank loans.

As at 30 June 2017, the Group's gearing ratio was 72.7% (31 December 2016: 146.7%), as calculated by dividing total borrowings by total equity.

The Directors are of the view that the Group has maintained adequate liquidity for business operations and any investment opportunities that may arise in the near future.

Capital Structure

The Group finances its working capital requirements by cash generated from business operations and bank loans (including loans from BOCOM). Our capital structure consists of share capital and reserves.

Currency Risk

The Group has certain transactions denominated in foreign currencies and is therefore exposed to exchange rate fluctuations. Our currency risk mainly exposes to RMB, USD and Singapore dollar at present. The exchange rate of the Hong Kong dollar against the USD is relatively stable under the current pegged rate system in Hong Kong.

Interest Rate Risk

Our interest rate risk relates primarily to margin loans to customers, loans and subordinated loans and investments in debt securities. The Group has set up the asset portfolio management system and monitored regularly to mitigate the interest rate risk by diversification of assets and quantifying market exposure in duration terms.

Credit Risk

Our credit risk arises from the possibility that our client or counterparties in a transaction may default. The Group has a range of credit policies and practices in place in order to mitigate and ensure the exposure to this risk is monitored on an ongoing basis.

Liquidity Risk

Our businesses rely on sufficient funds to pay due debts, perform payment obligations and satisfy the capital requirements. The Group has internal measures to monitor the liquidity risk and the foreseeable funding requirements to enable certain subsidiaries of the Company that are regulated by the Securities and Futures Commission of Hong Kong to continuously comply with the relevant rules and regulations.

Material Acquisitions, Disposals and Significant Investments

During the Reporting Period, there was no material acquisition or disposal of subsidiaries, associated companies or joint ventures by the Group.

Charges on Group Assets

As at 30 June 2017, the preference shares with market value of HK\$438.8 million, under the available-for-sale investments, were pledged to a bank to secure a loan for the acquisition of part of such preference shares by Preferred Investment Management Limited, a subsidiary of the Company (31 December 2016: HK\$428.0 million).

Employees and Remuneration Policies

As at 30 June 2017, the Group had a total of 295 employees. Total staff costs amounted to approximately HK\$112.2 million for the six months ended 30 June 2017.

The Group continuously refines remuneration and incentive policies to motivate business development and ensure that employees receive competitive remuneration packages. Mandatory provident fund scheme and insurance packages have been provided to employees in accordance with the local laws and regulations. We conduct performance evaluations of our employees annually to provide feedback on their performance.

We systematically provide comprehensive and diverse trainings to improve the professional skills of our employees. Employees are subsidised for participating in training courses which keep them abreast of the latest industry and technical developments.

Contingent liabilities

During the Reporting Period, the Group had certain contingent liabilities arising in the ordinary course of business. Please see note 24 of Notes to the Condensed Consolidated Financial Statements of this report for details.

OUTLOOK

The US Federal Reserve, the European Central Bank, and various other central banks are tightening their expansionary monetary policies. Global economic growth will slow down as the ultra-loose monetary policy era is gradually coming to an end. The slowing of China's credit growth, and gradual quickening of its M2 broad money supply suggests that financial regulation is taking effect. China will continue implementing prudent financial regulations under its systematic risk prevention and control environment. The Hang Seng Index can reach new highs amid the current bullish market sentiment, though market risk is rising. With economic growth in the US and China set to moderate in the coming months, factors contributing to the performance divergence of the big capitalisation stocks and the small capitalisation stocks will continue to take effect in the second half of the year. Big capitalisation stocks will continue to outperform, as aside from stable earnings, visibility and industry dominance in an increasingly unpredictable environment, big capitalisation stocks are also seen as a convenient instrument for market stabilization. In addition, the Bond Connect has further promoted the interoperability of the Hong Kong and Mainland financial markets, and thus the bond market is expected to expand further and will likely attract even more international investors.

Affected by the above factors, the Hong Kong capital market will face both opportunities and challenges in the second half of 2017. As such, the Company will continually develop and strengthen the securities brokerage, corporate finance and underwriting and asset management businesses. We intend to enrich our product portfolio, strengthen our infrastructure and improve our customer experience in order to steadily improve the market share of our principal businesses. We also aim to further develop a suite of "capital-based" businesses and an M&A advisory business that will be complementary to our principal business lines. We are committed to further optimising our risk management and internal control systems. Under the current capital market environment, we will focus on optimising our margin financing business while also adjusting our investment portfolio and trading strategy according to market sentiments. We will continue to enhance our ability to serve and improve our appetite for risk, striving to become a comprehensive securities and financial services institution with sustainable development capabilities that provide integrated financial services which meet the needs of global customers.

Corporate Governance And Other Information

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2017, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules were as follows:

Long Position in shares of associated corporation – Bank of Communications Co., Ltd.

Name of director	Capacity	Class of shares held in the associated corporation	Number of shares held	Approximate percentage to the total number of relevant class of issued share capital of the associated corporation	Approximate percentage to the total number of issued share capital of the associated corporation
TAN Yueheng	Beneficial owner	H shares	100,000	0.00%	0.00%
		A shares	100,000	0.00%	0.00%
LI Ying	Beneficial owner	H shares	173,000	0.00%	0.00%
CHENG Chuange	Beneficial owner	H shares	20,000	0.00%	0.00%
		A shares	40,000	0.00%	0.00%
WANG Yijun	Beneficial owner	A shares	30,000	0.00%	0.00%
LIN Zhihong	Beneficial owner	H shares	4,000	0.00%	0.00%
		A shares	40,000	0.00%	0.00%
SHOU Fugang	Beneficial owner	H shares	20,000	0.00%	0.00%
		A shares	40,000	0.00%	0.00%

Save as disclosed above, as at 30 June 2017, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept pursuant to Section 352 of the SFO or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed under the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the six months ended 30 June 2017 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

For the period ended 30 June 2017, none of the Company or any of its subsidiaries had signed any agreements to enable the Directors to acquire benefits by means of acquisition of Shares or debt securities (including debentures) of the Company or any other body corporate and none of the Directors, their spouses or children under the age of 18 had any rights to subscribe for securities of the Company, or had exercised any such rights.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2017, the interests and short positions of those persons (other than the Directors or chief executive of the Company) in the shares and underlying shares of the Company as required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or to the best of Directors' knowledge, were as follows:

Name of shareholder	Capacity	Long Position/ Short Position	Total number of shares held	Approximate percentage to the total number of issued share capital of the Company
Bank of Communications Co., Ltd.	Interest in a controlled corporation, beneficiary of trust ⁽¹⁾	Long Position	2,000,000,000	73.14%
Bank of Communications (Nominee) Company Limited	Interest in a controlled corporation, trustee (other than bare trustee) ⁽²⁾	Long Position	2,000,000,000	73.14%

Notes:

- (1) Expectation Investment is an indirect subsidiary of BOCOM and is the beneficial owner of 500,000 Shares. BOCOM is deemed to be interested in an aggregate of 2,000,000,000 Shares which BOCOM Nominee is interested in as trustee (other than a bare trustee) and which Expectation Investment is interested in as beneficial owner.
- (2) BOCOM Nominee is a subsidiary of BOCOM and (a) holds 1,999,500,000 Shares on trust for BOCOM and (b) controls 50% of voting rights of Expectation Investment which is the beneficial owner of 500,000 Shares.

Save as disclosed above, as at 30 June 2017, the Company is not aware of any other persons, other than the Directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had interests or short positions in the Shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Initial Public Offering

On 19 May 2017, the Company issued 666,680,000 Shares at HK\$2.68 per Share pursuant to the initial public offering of the Shares for total gross proceeds of approximately HK\$1,786.7 million and the Shares were listed on the Main Board of the Stock Exchange. On 14 June 2017, the Company issued 67,712,000 Shares at HK\$2.68 per Share for total gross proceeds of approximately HK\$181.5 million pursuant to the partial exercise of the over-allotment option.

Purchase, Sale or Redemption of the Company's Listed Securities

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

Compliance with the Corporate Governance Code

The Board is committed to maintaining a high standard of corporate governance practices within the Group. During the period from the Listing Date to 30 June 2017, the Company had complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (whenever applicable), except the deviation from Code Provision A.2.1 of the Corporate Governance Code.

Code Provision A.2.1 of the Corporate Governance Code in Appendix 14 to the Listing Rules states that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Mr. TAN Yueheng, the Chairman of the Company, also assumes the responsibilities of chief executive of the Company since 2007. The Board believes that Mr. TAN is a suitable candidate to, in effect, assume the responsibilities of the chief executive of the Company and the above arrangement can help improve the efficiency of the decision-making and execution process of the Company. The Company has put in place an appropriate check-and-balance mechanism through the Board and the independent non-executive Directors. In light of the above, the Board considers that the deviation from Code Provision A.2.1 of the Corporate Governance Code is appropriate in the circumstances of the Company.

Compliance with the Model Code

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct for securities transactions by the directors of the Company. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the Model Code during period from the Listing Date to 30 June 2017.

Change of Information of Directors Pursuant to Rule 13.51B of the Listing Rules

The Remuneration Committee had reviewed the annual salaries of the executive Directors in July 2017. On the recommendation by the Remuneration Committee and taking into consideration the increased responsibilities and time commitment required from the executive Directors after listing of the Company, the Board approved the increase of the annual salary (excluding the discretionary bonus and the Company's contribution to retirement benefit scheme) of the executive Directors, Mr. TAN Yueheng, Mr. LI Ying and Mr. CHENG Chuange to HK\$3,450,000, HK\$3,100,000 and HK\$2,080,000, respectively with effect from 1 July 2017.

Mr. SHOU Fugang ceased to act as the Chief Executive of BOCOM Hong Kong Branch with effect from 17 August 2017.

Save as disclosed above, there is no other information that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Appointment of a Deputy Chief Executive Officer and a member of Executive Committee

Ms. XI Xuanhua has been appointed as a Deputy Chief Executive Officer of the Company and a member of the Executive Committee with effect from 10 July 2017.

Review of Interim Results

The Audit and Risk Management Committee has reviewed with management and the Company's auditor, PricewaterhouseCoopers, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the Company's Interim Report for the six months ended 30 June 2017.

The unaudited condensed consolidated interim financial information for the Reporting Period has been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Interim Dividend

The Board has resolved not to declare an interim dividend to the shareholders of the Company for the six months ended 30 June 2017 (for the six months ended 30 June 2016: Nil).

Report on Review of Interim Financial Information



羅兵咸永道

TO THE BOARD OF DIRECTORS OF BOCOM INTERNATIONAL HOLDINGS COMPANY LIMITED
(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 19 to 48, which comprises the interim condensed consolidated statement of financial position of BOCOM International Holdings Company Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2017 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

Report on Review of Interim Financial Information (Continued)

OTHER MATTERS

The comparative information for the interim condensed consolidated statement of financial position is based on the audited financial statements as at 31 December 2016. The comparative information for the interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows, and related explanatory notes, for the six-month period ended 30 June 2017 has not been audited or reviewed.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 August 2017

Condensed Consolidated Income Statement

	Notes	Six months ended	
		30/6/2017 Unaudited HK\$'000	30/6/2016 Unaudited HK\$'000
Revenue	6	449,733	398,109
Other income	6	15,544	12,155
Revenue and other income		465,277	410,264
Commission and brokerage expenses		(31,359)	(28,914)
Finance costs	8	(57,403)	(34,208)
Staff costs	8	(112,194)	(85,982)
Depreciation	8	(3,753)	(4,193)
Other operating expenses		(116,547)	(85,371)
Impairment losses	7	(10,966)	(4,968)
Total expenses		(332,222)	(243,636)
Operating profit		133,055	166,628
Share of results of associates		(6,425)	1,546
Share of results of a joint venture		5	—
Profit before taxation	8	126,635	168,174
Income tax expense	9	(16,070)	(28,659)
Profit for the period		110,565	139,515
Attributable to:			
Shareholders of the Company		110,976	139,515
Non-controlling interests		(411)	—
		110,565	139,515
Earnings per share attributable to shareholders of the Company for the period — Basic/Diluted (in HKD per share)	11	0.05	0.07

Condensed Consolidated Statement of Comprehensive Income

	Six months ended	
	30/6/2017 Unaudited HK\$'000	30/6/2016 Unaudited HK\$'000
Profit for the period	110,565	139,515
Other comprehensive income/(loss)		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Changes in fair value of available-for-sale investments	53,095	11,203
Amounts reclassified to profit or loss upon disposal of available-for-sale investments	(5,567)	(10,896)
Reclassification gain from transfer of held-to-maturity investments to available-for-sale investments	–	36,782
Other comprehensive income, net of tax	47,528	37,089
Total comprehensive income	158,093	176,604
Attributable to:		
Shareholders of the Company	158,504	176,604
Non-controlling interests	(411)	–
	158,093	176,604

Condensed Consolidated Statement of Financial Position

	<i>Notes</i>	30/6/2017 Unaudited HK\$'000	31/12/2016 Audited HK\$'000
Assets			
Non-current Assets			
Property and equipment		20,250	19,784
Intangible assets		3,196	3,196
Interest in associates		96,291	102,716
Interest in a joint venture		1,774	1,769
Other assets		31,395	28,727
Available-for-sale investments	12	4,264,392	3,132,641
Deferred tax assets		657	302
Total non-current assets		4,417,955	3,289,135
Current Assets			
Loans and advances	13	46,464	–
Tax recoverable		24,481	20,132
Accounts receivable	14	993,367	585,026
Other receivables and prepayments	15	70,187	75,204
Margin loans to customers	16	4,847,522	5,123,260
Amounts due from related parties		2,226	16,093
Financial assets at fair value through profit or loss	12	615,940	566,020
Derivative financial assets	12	6,190	359
Cash and bank balances	17	322,093	504,054
Total current assets		6,928,470	6,890,148
Total assets		11,346,425	10,179,283
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital	21	3,921,050	2,000,000
Retained earnings		2,106,383	1,995,407
Revaluation reserve		33,767	(13,761)
Total equity attributable to shareholders of the Company		6,061,200	3,981,646
Non-controlling interests		4,061	4,472
Total equity		6,065,261	3,986,118

Condensed Consolidated Statement of Financial Position (Continued)

	<i>Notes</i>	30/6/2017 Unaudited HK\$'000	31/12/2016 Audited HK\$'000
Liabilities			
Non-current liabilities			
Bank loans	18	1,002,702	1,296,395
Deferred tax liabilities		130	130
Total non-current liabilities		1,002,832	1,296,525
Current Liabilities			
Bank loans	18	2,408,935	3,551,620
Subordinated loans from the ultimate holding company	18	1,000,000	1,000,000
Tax payable		1,027	1,353
Provision for staff costs		24,426	81,031
Other payables and accrued expenses		144,582	108,370
Accounts payable	19	652,619	115,351
Deferred revenue	20	14,031	14,309
Amount due to the ultimate holding company		5,415	5,806
Financial liabilities at fair value through profit or loss	12	21,218	18,446
Derivative financial liabilities	12	6,079	354
Total current liabilities		4,278,332	4,896,640
Total liabilities		5,281,164	6,193,165
Total equity and liabilities		11,346,425	10,179,283
Net current assets		2,650,138	1,993,508
Total assets less current liabilities		7,068,093	5,282,643

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company				Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Retained earnings HK\$'000	Revaluation reserve HK\$'000	Total HK\$'000		
At 1 January 2017 (Audited)	<u>2,000,000</u>	<u>1,995,407</u>	<u>(13,761)</u>	<u>3,981,646</u>	<u>4,472</u>	<u>3,986,118</u>
Profit/(loss) for the period	–	<u>110,976</u>	–	<u>110,976</u>	<u>(411)</u>	<u>110,565</u>
Other comprehensive income for the period	–	–	<u>47,528</u>	<u>47,528</u>	–	<u>47,528</u>
Total comprehensive income/(loss) for the period	–	<u>110,976</u>	<u>47,528</u>	<u>158,504</u>	<u>(411)</u>	<u>158,093</u>
Issuance of ordinary shares, net (Note 21)	<u>1,921,050</u>	–	–	<u>1,921,050</u>	–	<u>1,921,050</u>
At 30 June 2017 (Unaudited)	<u><u>3,921,050</u></u>	<u><u>2,106,383</u></u>	<u><u>33,767</u></u>	<u><u>6,061,200</u></u>	<u><u>4,061</u></u>	<u><u>6,065,261</u></u>
At 1 January 2016 (Audited)	<u>2,000,000</u>	<u>1,644,798</u>	<u>(4,511)</u>	<u>3,640,287</u>	<u>4,653</u>	<u>3,644,940</u>
Profit for the period	–	<u>139,515</u>	–	<u>139,515</u>	–	<u>139,515</u>
Other comprehensive income for the period	–	–	<u>37,089</u>	<u>37,089</u>	–	<u>37,089</u>
Total comprehensive income for the period	–	<u>139,515</u>	<u>37,089</u>	<u>176,604</u>	–	<u>176,604</u>
Dividends paid by a subsidiary	–	–	–	–	<u>(524)</u>	<u>(524)</u>
At 30 June 2016 (Unaudited)	<u>2,000,000</u>	<u>1,784,313</u>	<u>32,578</u>	<u>3,816,891</u>	<u>4,129</u>	<u>3,821,020</u>

Condensed Consolidated Statement of Cash Flows

	Six months ended	
	30/6/2017 Unaudited HK\$'000	30/6/2016 Unaudited HK\$'000
Operating activities		
Profit before taxation	126,635	168,174
Adjustments for:		
Dividend income	(570)	(263)
Interest income from loans or clients	(169,895)	(167,206)
Bond interest income	(57,674)	(39,051)
Other interest income	(7,202)	(3,184)
Finance costs	57,403	34,208
Depreciation	3,753	4,193
Impairment losses	10,966	4,968
Net unrealised gain on financial assets at fair value through profit or loss	(26,923)	(2,515)
Net realised gain on available-for-sale investments	(5,567)	(10,896)
Amortisation movement on held-to-maturity investments	–	(2,818)
Foreign exchange loss/(gain)	6,418	(1,932)
Share of results of associates	6,425	(1,546)
Share of results of a joint venture	(5)	–
Operating cash flows before movements in working capital	(56,236)	(17,868)
(Increase)/decrease in other assets	(2,668)	2,506
Increase in financial assets at fair value through profit or loss	(22,997)	(309,797)
Increase/(decrease) in financial liabilities at fair value through profit or loss	2,772	(3,979)
Increase in derivative financial assets	(5,831)	–
Increase in derivative financial liabilities	5,725	–
(Increase)/decrease in accounts receivable	(408,341)	279,457
Decrease in margin loans to customers	264,772	128,689
Increase in loans and advances	(46,464)	(279,108)
Decrease/(increase) in amounts due from related parties	13,867	(732)
Increase in amount due from an associate	–	(197)
Decrease in other receivables and prepayments	30,809	12,045
Increase in accounts payable	537,268	351,750
Decrease in deferred revenue	(278)	–
Decrease in amount due to the ultimate holding company	(391)	(996)
Decrease in provision for staff costs	(56,605)	(81,136)
Increase/(decrease) in other payables and accrued expenses	39,100	(841,079)
Net cash generated from/(used in) operations	294,502	(760,445)

Condensed Consolidated Statement of Cash Flows (Continued)

	Six months ended	
	30/6/2017 Unaudited HK\$'000	30/6/2016 Unaudited HK\$'000
Income tax paid	(21,029)	(3,502)
Interest received from loans or clients	169,574	167,206
Other interest income received	6,762	3,180
Interest expenses paid	(55,658)	(32,513)
Net cash generated from/(used in) operating activities	394,151	(626,074)
Investing activities		
Dividend received	570	263
Bond interest income received	27,939	18,778
Purchase of property and equipment	(4,219)	(7,208)
Purchase of held-to-maturity investments	–	(5,797)
Proceeds on disposal of held-to-maturity investments	–	25,079
Purchase of available-for-sale investments	(1,187,816)	(604,766)
Proceeds on disposals of available-for-sale investments	120,093	200,151
Distribution from associates	–	8,221
Net cash used in investing activities	(1,043,433)	(365,279)
Financing activities		
Net (repayment)/drawdown of bank loans	(1,436,378)	996,951
Net proceeds from issuance of ordinary shares (Note 21)	1,921,050	–
Dividends from subsidiaries paid to non-controlling interests	–	(524)
Net cash generated from financing activities	484,672	996,427
Net (decrease)/increase in cash and cash equivalents	(164,610)	5,074
Cash and cash equivalents at 1 January	502,439	858,892
Effect of exchange rate changes on cash and cash equivalents	(17,351)	1,385
Cash and cash equivalents at 30 June	320,478	865,351

Notes to the Condensed Consolidated Financial Statements

1. GENERAL INFORMATION

BOCOM International Holdings Company Limited (the “Company”) and its subsidiaries (together, the “Group”) are engaged in securities dealing, financial advisory, asset management services, investment management and investment trading. The Company is a company incorporated in Hong Kong. The address of its registered office is 9/F Man Yee Building, 68 Des Voeux Road Central, Hong Kong.

The principal activities of the Group are to carry out regulated activities under the Hong Kong Securities and Futures Ordinance through its licensed subsidiaries. The regulated activities carried out by the Company’s licensed subsidiaries include dealing in and advising on securities and futures contracts, providing securities margin financing, advising on corporate finance and providing asset management services.

The parent and ultimate holding company is Bank of Communications Co., Ltd., a company incorporated in the People’s Republic of China (“PRC”) and listed on the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited.

The financial information is presented in Hong Kong dollars, which is also the functional currency of the Company, unless otherwise stated.

The financial information relating to the year ended 31 December 2016, that is included in the condensed consolidated interim report for the six months ended 30 June 2017 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company’s auditor has reported on those financial statements. The auditor’s reports was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

2. BASIS OF PREPARATION

This condensed consolidated interim financial statements for the six months ended 30 June 2017 has been prepared in accordance with HKAS34, ‘Interim financial reporting’ and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with HKFRSs.

Notes to the Condensed Consolidated Financial Statements (Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2017.

Amendments to HKFRSs effective for the financial year ending 31 December 2017 do not have a material impact on the Group.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016, with the exception of changes in estimates that are required in determining the provision for income taxes and disclosure of exceptional items.

5. SEGMENT INFORMATION

The Group manages the business operations by the following segments in accordance with the nature of the operations and services provided:

- (a) Brokerage segment provides securities trading and brokerage services.
- (b) Corporate finance and underwriting segment provides corporate finance services including equity underwriting, debt underwriting, sponsor services and financial advisory services to institutional clients.
- (c) Asset management and advisory segment offers traditional asset management products and services to third party clients. In addition, it also offers investment advisory services, portfolio management services and transaction execution services.
- (d) Margin financing segment provides securities-backed financial leverage for both retail and institutional clients.
- (e) Investment and loans segment engages in direct investment business including investments in various debt and equity securities, investment in companies and investment in loans.

Notes to the Condensed Consolidated Financial Statements (Continued)

5. SEGMENT INFORMATION (Continued)

- (f) Others include headquarter operations such as bank interest income, and interest expense incurred for general working capital purposes.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in basis during the period.

The following is an analysis of the segment revenue and segment profit or loss:

	Six months ended 30 June 2017							Total HK\$'000
	Brokerage HK\$'000	Corporate finance and underwriting HK\$'000	Asset management and advisory HK\$'000	Margin financing HK\$'000	Investment and loans HK\$'000	Others HK\$'000	Elimination HK\$'000	
Total revenue								
Commission and fee income								
– External	78,406	53,030	57,968	-	-	-	-	189,404
– Internal	-	1,250	4,027	-	-	-	(5,277)	-
Interest income from loans or clients								
– External	-	-	-	162,817	7,078	-	-	169,895
– Internal	-	-	-	-	5,871	-	(5,871)	-
Proprietary trading income								
– External	-	-	-	-	90,434	-	-	90,434
– Internal	-	-	-	-	-	-	-	-
Other income	5,998	1,082	-	-	13	8,451	-	15,544
	<u>84,404</u>	<u>55,362</u>	<u>61,995</u>	<u>162,817</u>	<u>103,396</u>	<u>8,451</u>	<u>(11,148)</u>	<u>465,277</u>
Total expenses	(102,803)	(62,972)	(33,308)	(59,424)	(59,013)	(25,850)	11,148	(332,222)
Share of results of associates	-	-	-	-	(6,425)	-	-	(6,425)
Share of results of a joint venture	-	-	-	-	5	-	-	5
(Loss)/profit before taxation	<u>(18,399)</u>	<u>(7,610)</u>	<u>28,687</u>	<u>103,393</u>	<u>37,963</u>	<u>(17,399)</u>	<u>-</u>	<u>126,635</u>
Other disclosures								
Depreciation	(979)	(52)	(785)	(1,906)	(31)	-	-	(3,753)
Impairment losses	-	-	-	(10,966)	-	-	-	(10,966)
Finance costs	-	-	-	(25,232)	(38,042)	-	5,871	(57,403)

Notes to the Condensed Consolidated Financial Statements (Continued)

5. SEGMENT INFORMATION (Continued)

	Six months ended 30 June 2016							Total HK\$'000
	Brokerage HK\$'000	Corporate finance and underwriting HK\$'000	Asset management and advisory HK\$'000	Margin financing HK\$'000	Investment and loans HK\$'000	Others HK\$'000	Elimination HK\$'000	
Total revenue								
Commission and fee income								
– External	69,487	53,097	56,789	–	–	–	–	179,373
– Internal	–	–	2,912	–	–	–	(2,912)	–
Interest income from loans or clients								
– External	–	–	–	166,294	912	–	–	167,206
– Internal	–	–	–	–	2,953	–	(2,953)	–
Proprietary trading income								
– External	–	–	–	–	51,530	–	–	51,530
– Internal	–	–	–	–	–	–	–	–
Other income	5,747	–	–	–	13	6,395	–	12,155
	<u>75,234</u>	<u>53,097</u>	<u>59,701</u>	<u>166,294</u>	<u>55,408</u>	<u>6,395</u>	<u>(5,865)</u>	<u>410,264</u>
Total expenses	(94,291)	(53,310)	(35,579)	(46,929)	(19,392)	–	5,865	(243,636)
Share of results of associates	–	–	–	–	1,546	–	–	1,546
Share of results of a joint venture	–	–	–	–	–	–	–	–
(Loss)/profit before taxation	<u>(19,057)</u>	<u>(213)</u>	<u>24,122</u>	<u>119,365</u>	<u>37,562</u>	<u>6,395</u>	<u>–</u>	<u>168,174</u>
Other disclosures								
Depreciation	(1,515)	(94)	(1,062)	(1,487)	(35)	–	–	(4,193)
Impairment losses	–	(4,968)	–	–	–	–	–	(4,968)
Finance costs	–	–	–	(22,717)	(14,444)	–	2,953	(34,208)

	Six months ended	
	30/6/2017 HK\$'000 (Unaudited)	30/6/2016 HK\$'000 (Unaudited)
Revenue from external customer by location of operations:		
– Hong Kong	441,186	352,342
– Mainland China	8,547	45,767
	<u>449,733</u>	<u>398,109</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

6. REVENUE AND OTHER INCOME

	Six months ended	
	30/6/2017 HK\$'000 (Unaudited)	30/6/2016 HK\$'000 (Unaudited)
REVENUE		
COMMISSION AND FEE INCOME		
Brokerage commission	78,406	69,487
Corporate finance and underwriting fee	53,030	53,097
Asset management and advisory income	57,968	56,789
	189,404	179,373
INTEREST INCOME		
Interest income from margin financing	162,817	166,294
Interest income from loans and advances	7,078	912
	169,895	167,206
PROPRIETARY TRADING INCOME		
Unrealised gain on financial assets at fair value through profit or loss	26,923	2,515
Realised gain/(loss) on financial assets at fair value through profit or loss	1,746	(4,998)
Realised gain on available-for-sale investments	5,567	10,896
Realised gain on held-to-maturity investments	–	926
Fair value changes from financial liabilities at fair value through profit or loss	(2,046)	2,877
Dividend income from		
– Financial assets at fair value through profit or loss	511	263
– Available-for-sale investments	59	–
Bond interest income from		
– Financial assets at fair value through profit or loss	11,699	70
– Available-for-sale investments	45,975	7,956
– Held-to-maturity investments	–	31,025
	90,434	51,530
	449,733	398,109

Notes to the Condensed Consolidated Financial Statements (Continued)

6. REVENUE AND OTHER INCOME (Continued)

	Six months ended	
	30/6/2017 HK\$'000 (Unaudited)	30/6/2016 HK\$'000 (Unaudited)
OTHER INCOME		
Handling fees	5,935	5,362
Other interest income	7,202	3,184
Exchange gains	–	1,932
Others	2,407	1,677
	15,544	12,155

7. IMPAIRMENT LOSSES

	Six months ended	
	30/6/2017 HK\$'000 (Unaudited)	30/6/2016 HK\$'000 (Unaudited)
Impairment losses on:		
Accounts receivable from corporate finance and underwriting	–	4,968
Margin loans to customers	10,966	–
	10,966	4,968

Notes to the Condensed Consolidated Financial Statements (Continued)

8. PROFIT BEFORE TAXATION

	Six months ended	
	30/6/2017 HK\$'000 (Unaudited)	30/6/2016 HK\$'000 (Unaudited)
Profit before taxation has been arrived at after charging:		
Finance costs:		
– Interest expenses on subordinated loans from the ultimate holding company	9,903	8,767
– Interest expenses on loans from the ultimate holding company	12,835	6,554
– Interest expenses on bank loans and overdraft from other financial institutions	34,654	18,886
– Others	11	1
	<u>57,403</u>	<u>34,208</u>
Depreciation	3,753	4,193
Listing expenses	25,851	–
Operating lease charges	27,233	28,216
Staff costs	<u>112,194</u>	<u>85,982</u>

9. INCOME TAX EXPENSE

	Six months ended	
	30/6/2017 HK\$'000 (Unaudited)	30/6/2016 HK\$'000 (Unaudited)
Current tax		
– Hong Kong Profit Tax	17,200	19,503
– PRC Enterprise Income Tax	–	6,798
– (Over)/under provision in prior periods	<u>(1,130)</u>	<u>2,358</u>
Total current tax	<u>16,070</u>	<u>28,659</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profit for the current and prior period. Taxation on overseas profits has been calculated on the estimated assessable profit for the periods at the rates of taxation prevailing in the countries in which the Group operates.

Notes to the Condensed Consolidated Financial Statements (Continued)

10. DIVIDEND

No dividend was paid or declared by the Company for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended	
	30/6/2017 HK\$'000 (Unaudited)	30/6/2016 HK\$'000 (Unaudited)
Profit attributable to shareholders of the Company	110,976	139,515
Weighted average number of ordinary shares in issue (in '000 shares)	2,164,742	2,000,000
Earnings per share (in HKD per share)	0.05	0.07

There were no potential diluted ordinary shares and the diluted earnings per share were the same as the basic earnings per share.

Notes to the Condensed Consolidated Financial Statements (Continued)

12. FINANCIAL ASSETS AND LIABILITIES

The table below summarised the information relating to the fair value hierarchy of financial assets and financial liabilities measured at fair value on a recurring basis.

	At 30 June 2017 (Unaudited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Available-for-sale investments				
Equity securities	23,215	–	–	23,215
Debt investments	2,059,695	100,000	227,761	2,387,456
Preference shares	1,323,280	–	379,162	1,702,442
Club debenture	–	–	2,017	2,017
Unlisted equity	–	–	62,169	62,169
Unlisted fund	–	46,410	40,683	87,093
	<u>3,406,190</u>	<u>146,410</u>	<u>711,792</u>	<u>4,264,392</u>
Financial assets at fair value through profit or loss				
Equity securities	140,587	–	–	140,587
Debt investments	323,073	–	–	323,073
Funds	33,360	–	–	33,360
Unlisted equity	–	–	9,900	9,900
Structured financial product	–	–	109,020	109,020
	<u>497,020</u>	<u>–</u>	<u>118,920</u>	<u>615,940</u>
Derivative financial assets	<u>6,190</u>	<u>–</u>	<u>–</u>	<u>6,190</u>
Financial liabilities at fair value through profit or loss				
Financial liabilities to the investors of the funds consolidated	<u>(21,218)</u>	<u>–</u>	<u>–</u>	<u>(21,218)</u>
Derivative financial liabilities	<u>–</u>	<u>(6,079)</u>	<u>–</u>	<u>(6,079)</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

12. FINANCIAL ASSETS AND LIABILITIES (Continued)

	At 31 December 2016 (Audited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Available-for-sale investments				
Equity securities	31,570	–	–	31,570
Debt investments	1,524,358	100,000	–	1,624,358
Preference shares	1,303,902	–	77,420	1,381,322
Club debenture	–	–	1,952	1,952
Unlisted equity	–	–	53,902	53,902
Unlisted fund	–	–	39,537	39,537
	<u>2,859,830</u>	<u>100,000</u>	<u>172,811</u>	<u>3,132,641</u>
Financial assets at fair value through profit or loss				
Equity securities	32,137	–	–	32,137
Debt investments	400,859	–	–	400,859
Funds	27,352	–	–	27,352
Unlisted equity	–	–	105,672	105,672
	<u>460,348</u>	<u>–</u>	<u>105,672</u>	<u>566,020</u>
Derivative financial assets	<u>359</u>	<u>–</u>	<u>–</u>	<u>359</u>
Financial liabilities at fair value through profit or loss				
Financial liabilities to the investors of the funds consolidated	<u>(18,446)</u>	<u>–</u>	<u>–</u>	<u>(18,446)</u>
Derivative financial liabilities	<u>–</u>	<u>(354)</u>	<u>–</u>	<u>(354)</u>

Details of disclosure for fair value measurement are set out in note 25.

Notes to the Condensed Consolidated Financial Statements (Continued)

13. LOANS AND ADVANCES

	30/6/2017 HK\$'000 (Unaudited)	31/12/2016 HK\$'000 (Audited)
Gross loans and advances	317,434	270,970
Less: impairment allowances – individually assessed	<u>(270,970)</u>	<u>(270,970)</u>
	<u>46,464</u>	<u>–</u>
Loan impairment allowances		
Beginning of the period/year	270,970	364,271
Impairment allowances charged during the period/year	–	18,197
Loans and advances written off during the period/year as uncollectible	<u>–</u>	<u>(111,498)</u>
End of the period/year	<u>270,970</u>	<u>270,970</u>

There was no past due but not impaired loans and advances as at 30 June 2017 and 31 December 2016.

Notes to the Condensed Consolidated Financial Statements (Continued)

14. ACCOUNTS RECEIVABLE

	30/6/2017 HK\$'000 (Unaudited)	31/12/2016 HK\$'000 (Audited)
Accounts receivable from/related to:		
Corporate finance and underwriting business	139,419	158,398
Less: bad debts written off	<u>–</u>	<u>(20,094)</u>
	139,419	138,304
Dealing in securities and futures business		
– Clients	372,681	223,435
– Brokers	194,367	86,155
– Clearing house	<u>286,900</u>	<u>137,132</u>
	<u>853,948</u>	<u>446,722</u>
	<u>993,367</u>	<u>585,026</u>

The following is an ageing analysis of accounts receivable based on the date of invoice/contract note at the reporting date:

	30/6/2017 HK\$'000 (Unaudited)	31/12/2016 HK\$'000 (Audited)
Neither past due nor impaired	880,641	578,023
Less than 31 days past due	406	4,351
31 – 60 days past due	1	169
61 – 90 days past due	4	50
Over 90 days past due	<u>112,315</u>	<u>2,433</u>
	<u>112,726</u>	<u>7,003</u>
	<u>993,367</u>	<u>585,026</u>

Clients receivables from securities dealing are receivable on the settlement dates of their respective transactions, normally two or three business days after the respective trade dates.

The receivables from brokers are neither past due nor impaired. Brokers receivables are repayable on the settlement dates of their respective trade dates, normally two or three business days after the respective trade dates.

Notes to the Condensed Consolidated Financial Statements (Continued)

14. ACCOUNTS RECEIVABLE (Continued)

Clearing house receivables are repayable on the settlement dates of the respective trade dates, normally two or three business days after the respective trade dates.

For the receivables from corporate finance and underwriting business, the Group has policies for allowance for bad and doubtful debts which are based on the evaluation of collectability and ageing analysis of accounts receivable and on management's judgement, including the current credit worthiness and the past collection history of each client. Settlement is done based on the completion of each phase of the project.

15. OTHER RECEIVABLES AND PREPAYMENTS

	30/6/2017 HK\$'000 (Unaudited)	31/12/2016 HK\$'000 (Audited)
Other receivables	59,056	66,395
Prepayments	<u>11,131</u>	<u>8,809</u>
	<u>70,187</u>	<u>75,204</u>

16. MARGIN LOANS TO CUSTOMERS

	30/6/2017 HK\$'000 (Unaudited)	31/12/2016 HK\$'000 (Audited)
Gross margin loans to customers	4,866,748	5,131,520
Less: impairment allowances – individually assessed	<u>(19,226)</u>	<u>(8,260)</u>
	<u>4,847,522</u>	<u>5,123,260</u>
Impairment allowances		
Beginning of the period/year	8,260	–
Impairment allowances charged during the period/year	<u>10,966</u>	<u>8,260</u>
End of the period/year	<u>19,226</u>	<u>8,260</u>

No ageing analysis is disclosed, as in the opinion of the Directors, an ageing analysis does not give additional view of the nature of the margin loan business. The amount of credit facilities granted to margin clients is determined by the discounted market value of the collateral securities accepted by the Group.

Notes to the Condensed Consolidated Financial Statements (Continued)

17. CASH AND BANK BALANCES

	30/6/2017 HK\$'000 (Unaudited)	31/12/2016 HK\$'000 (Audited)
Current and savings accounts	283,363	452,347
Time deposits with original maturity of less than three months	<u>37,115</u>	<u>50,092</u>
Cash and cash equivalents	320,478	502,439
Time deposits with original maturity of more than three months	<u>1,615</u>	<u>1,615</u>
	<u>322,093</u>	<u>504,054</u>

18. BANK BORROWING

	30/6/2017 HK\$'000 (Unaudited)	31/12/2016 HK\$'000 (Audited)
Bank loans		
Current – ultimate holding company	–	–
Current – authorised institutions	<u>2,408,935</u>	<u>3,551,620</u>
	<u>2,408,935</u>	<u>3,551,620</u>
Non-current – ultimate holding company (Note 22)	1,002,702	996,395
Non-current – authorised institutions	<u>–</u>	<u>300,000</u>
	<u>1,002,702</u>	<u>1,296,395</u>
Subordinated loans (Note 22)		
Non-current	–	–
Current	<u>1,000,000</u>	<u>1,000,000</u>
	<u>1,000,000</u>	<u>1,000,000</u>
Total	<u>4,411,637</u>	<u>5,848,015</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

18. BANK BORROWING (Continued)

At the reporting date, bank and other borrowings were repayable as follows:

	30/6/2017 HK\$'000 (Unaudited)	31/12/2016 HK\$'000 (Audited)
Bank borrowings		
Within 1 year	3,408,935	4,551,620
Between 1 and 2 years	1,002,702	1,296,395
	<u>4,411,637</u>	<u>5,848,015</u>

19. ACCOUNTS PAYABLE

Accounts payable arising from the business of dealing in securities and options are as follows:

	30/6/2017 HK\$'000 (Unaudited)	31/12/2016 HK\$'000 (Audited)
Clients – trade settlement	527,414	80,142
Clearing house	112,790	14,341
Brokers	12,415	20,868
	<u>652,619</u>	<u>115,351</u>

No ageing analysis is disclosed, as in the opinion of the Directors, an ageing analysis does not give additional view of the nature of these business. The settlement terms of accounts payable arising from client businesses are normally two to three days after trade date or at specific terms agreed with clients, brokers or clearing house.

20. DEFERRED REVENUE

	30/6/2017 HK\$'000 (Unaudited)	31/12/2016 HK\$'000 (Audited)
Deferred revenue	<u>14,031</u>	<u>14,309</u>

Deferred revenue mainly represents payment received in advance for advisory and fund management services. They are recognised as revenue when the Group has rendered the services.

Notes to the Condensed Consolidated Financial Statements (Continued)

21. SHARE CAPITAL

	Number of shares		Share capital	
	Six months ended 30/6/2017 Thousand Shares (Unaudited)	Year ended 31/12/2016 Thousand Shares (Audited)	Six months ended 30/6/2017 HK\$'000 (Unaudited)	Year ended 31/12/2016 HK\$'000 (Audited)
Issued and fully paid				
Balance brought forward	2,000,000	2,000,000	2,000,000	2,000,000
Issuance of ordinary shares upon listing and exercise of over-allotment option	734,392	–	1,921,050	–
Balance carried forward	<u>2,734,392</u>	<u>2,000,000</u>	<u>3,921,050</u>	<u>2,000,000</u>

On 19 May 2017, the Company issued 666,680 thousand shares at HK\$2.68 per share pursuant to the initial public offering of the Company's shares for a total gross proceeds of HK\$1,786,702 thousand. On 14 June 2017, the Company issued 67,712 thousand shares at HK\$2.68 per share for a total gross proceeds of HK\$181,468 thousand pursuant to the partial exercise of the over-allotment option. The share capital of HK\$1,921,050 thousand is after the deduction of direct issuing cost amounting HK\$47,120 thousand (including underwriting fees and some other professional agency fees of the initial public offering).

Notes to the Condensed Consolidated Financial Statements (Continued)

22. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following material transactions with related parties:

	Six months ended	
	30/6/2017 HK\$'000 (Unaudited)	30/6/2016 HK\$'000 (Unaudited)
(a) Ultimate holding company		
Transaction		
Interest income from deposits	454	925
Interest expenses	22,738	15,320
Commission income	4,494	3,130
Commission expenses	3,416	2,151
Fund management fee income	3,298	1,649
Underwriting fee income	6,222	621
Carpark rental expenses	47	50
Other operating expenses	703	740
Trading gain from derivatives transactions	9,172	–
Realised gain on financial assets at fair value through profit or loss	697	–
Unrealised gain on financial assets at fair value through profit or loss	756	–
	<u>756</u>	<u>–</u>
	30/6/2017 HK\$'000 (Unaudited)	31/12/2016 HK\$'000 (Audited)
Balance of transaction		
Accounts receivable	38,291	40,705
Bank loans	1,002,702	996,395
Subordinated loans	1,000,000	1,000,000
Derivative financial liabilities	6,079	354
Accounts payable	95,514	145,463
Amount due to the ultimate holding company	5,415	5,806
	<u>5,415</u>	<u>5,806</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

22. RELATED PARTY TRANSACTIONS (Continued)

	Six months ended	
	30/6/2017 HK\$'000 (Unaudited)	30/6/2016 HK\$'000 (Unaudited)
(b) Fellow subsidiaries and an associate		
Transaction		
Asset management and advisory income	5,312	5,801
Underwriting fee income	5,424	3,097
Office rental expenses	4,253	4,809
Carpark rental expenses	24	6
Other operating expenses	<u>3,033</u>	<u>2,894</u>

	30/6/2017 HK\$'000 (Unaudited)	31/12/2016 HK\$'000 (Audited)
Balance of transaction		
Accounts receivable	<u>17</u>	<u>1,089</u>

	Six months ended	
	30/6/2017 HK\$'000 (Unaudited)	30/6/2016 HK\$'000 (Unaudited)
(c) Related parties		
Transaction		
Interest income from a loan	4,203	120
Fund management fee income	<u>24,484</u>	<u>8,903</u>

	30/6/2017 HK\$'000 (Unaudited)	31/12/2016 HK\$'000 (Audited)
Balance of transaction		
Amount due from related parties	<u>2,226</u>	<u>16,093</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

23. COMMITMENTS

Operating leases commitments

At the end of the reporting period, the Group had commitments for future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30/6/2017 HK\$'000 (Unaudited)	31/12/2016 HK\$'000 (Audited)
No later than one year	57,254	43,028
Later than 1 year and no later than 5 years	<u>46,212</u>	<u>36,892</u>
	<u>103,466</u>	<u>79,920</u>

24. CONTINGENT LIABILITIES

Guaranteed return by asset management service

In connection with the Group's asset management service, the Group entered into a service agreement in August 2015 which provides a client with a guarantee on the investment principal and return. The investment principal amounted to MOP500 million. The service agreement will expire in August 2020. Performance of the relevant investment portfolios will be subject to uncertainties such as market conditions and volatility. The relevant investment portfolios mainly consist of fixed income instruments. In November 2016, the Group entered into another service agreement with the same client on similar terms for an additional investment principal of MOP500 million, which will expire in November 2021. During the year 2016 and six months ended 30 June 2017, the average yield of the relevant investment portfolios were above the guaranteed return.

Notes to the Condensed Consolidated Financial Statements (Continued)

25. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include available-for-sale investments, financial assets at fair value through profit or loss, loans and receivables (made up of other assets, accounts and other receivables, loans and advances), margin loans to customers, cash and bank balances, accounts payable, bank loans and subordinated loans from the ultimate holding company. Details of the financial instruments are disclosed in respective notes.

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Risk Management Department under policies approved by the Board of Directors. Risk Management Department identifies and evaluates certain risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The unaudited condensed consolidated interim financial statements do not include all financial risk management information and disclosures related to the unaudited condensed consolidated financial statements, and should be read in conjunction with disclosure in prospectus and the consolidated financial statements for the year ended 31 December 2016.

Fair value of the group's financial assets and financial liabilities that are measured at fair value on recurring basis

Certain financial assets and liabilities of the Group are measured at fair value or with fair value disclosed for financial reporting purposes. The fair value has been determined using appropriate valuation techniques and inputs for fair value measurements. The appropriateness of the valuation techniques and the inputs to the fair value measurements are reviewed by the Board of Directors periodically.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Notes to the Condensed Consolidated Financial Statements (Continued)

25. FINANCIAL RISK MANAGEMENT (Continued)

Fair value of the group's financial assets and financial liabilities that are measured at fair value on recurring basis (Continued)

The table below provides further information regarding the valuation of material financial assets and liabilities under Level 3.

	30/6/2017 HK\$'000 (Unaudited)	31/12/2016 HK\$'000 (Audited)	Valuation technique	Unobservable inputs	Range	Relationship of unobservable inputs to fair value
Available-for-sale investments						
Club debentures	2,017	1,952	Recent transaction price	Liquidity discount	25%	(ii)
Unlisted equity	62,169	53,902	Allocated net asset value	Net asset value	N/A	(iii)
Unlisted fund	39,537	39,537	Allocated net asset value	Net asset value	N/A	(iii)
Unlisted fund	1,146	–	Recent transaction price	(i)	N/A	(iv)
Debt investments	227,761	–	Recent transaction price	(i)	N/A	(iv)
Preference shares	379,162	77,420	Recent transaction price	(i)	N/A	(iv)
Total	711,792	172,811				

	30/6/2017 HK\$'000 (Unaudited)	31/12/2016 HK\$'000 (Audited)	Valuation technique	Unobservable inputs	Range	Relationship of unobservable inputs to fair value
Financial assets at fair value through profit or loss						
Unlisted equity	9,900	105,672	Allocated net asset value	Net asset value	N/A	(iii)
Structured financial product	109,020	–	Guaranteed principal plus expected return	Expected rate	N/A	(v)
Total	118,920	105,672				

Notes to the Condensed Consolidated Financial Statements (Continued)

25. FINANCIAL RISK MANAGEMENT (Continued)

Fair value of the group's financial assets and financial liabilities that are measured at fair value on recurring basis (Continued)

- (i) The Directors of the Company consider that the financial position of these investments have no significant change since its recent transaction, and hence no adjustment to the recent transaction price is needed.
- (ii) The higher the discount rate, the lower the fair value.
- (iii) The higher the net asset value, the higher the fair value.
- (iv) The higher the adjustment to the recent transaction price, the higher the fair value.
- (v) The higher the expected rate, the higher the fair value.

The following table presents the changes in Level 3 instruments for the six months ended 30 June 2017 and for the year ended 31 December 2016.

	30/6/2017 HK\$'000 (Unaudited)	31/12/2016 HK\$'000 (Audited)
Available-for-sale investments		
Beginning of the period/year	172,811	4,986
Addition during the period/year	529,217	173,584
Net gain recognised in profit or loss	320	–
Net gain/(loss) recognised in other comprehensive income	9,444	(5,759)
End of the period/year	<u>711,792</u>	<u>172,811</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

25. FINANCIAL RISK MANAGEMENT (Continued)

Fair value of the group's financial assets and financial liabilities that are measured at fair value on recurring basis (Continued)

	30/6/2017 HK\$'000 (Unaudited)	31/12/2016 HK\$'000 (Audited)
Financial assets at fair value through profit or loss		
Beginning of the period/year	105,672	10,128
Transfer out (note)	(96,088)	–
Addition during the period/year	109,020	73,549
Net gain recognised in profit or loss	316	21,995
End of the period/year	<u>118,920</u>	<u>105,672</u>

Note: Investment holding listed shares with lock-up period was transferred from Level 3 to Level 1 when the lock-up period lapsed and became unrestricted.

The Group adopted consistent and transparent methodology basing on these valuation techniques above for determining fair value. Regardless of the valuation methodology used, once used, it should continue to be used until a new methodology will provide a better approximation of the investment's current fair value. The management expected that there would not be frequent changes in valuation techniques.