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BOCOM INTERNATIONAL HOLDINGS COMPANY LIMITED
交銀國際控股有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 3329)

US\$500,000,000 1.75 PER CENT. GUARANTEED NOTES DUE 2026

(Stock Code: 40737)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2024

The Board announces the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2024, together with the comparative figures for the corresponding period in 2023.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended	
		30/6/2024	30/6/2023
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue			
Commission and fee income	4	96,019	75,132
Interest income	4	162,669	275,298
Proprietary trading income	4	(82,593)	39,979
		<u>176,095</u>	<u>390,409</u>
Other income	4	109,053	91,256
Revenue and other income		<u>285,148</u>	<u>481,665</u>
Commission and brokerage expenses		(11,500)	(13,405)
Finance costs	6	(298,259)	(352,165)
Staff costs	6	(173,673)	(184,210)
Depreciation	6	(61,631)	(62,917)
Other operating expenses		(77,319)	(83,484)
Change in impairment allowance	5	(53,993)	(159,241)
Total expenses		<u>(676,375)</u>	<u>(855,422)</u>

		Six months ended	
		30/6/2024	30/6/2023
	<i>Notes</i>	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Operating loss		(391,227)	(373,757)
Share of results of associates		168	(2,678)
Share of results of joint ventures		32,535	7,771
		<hr/>	<hr/>
Loss before taxation	<i>6</i>	(358,524)	(368,664)
Income tax expense	<i>7</i>	3,236	(4,561)
		<hr/>	<hr/>
Loss for the period attributable to shareholders of the Company		<u>(355,288)</u>	<u>(373,225)</u>
Loss per share attributable to shareholders of the Company for the period — Basic/Diluted (in HKD per share)	<i>9</i>	<u>(0.13)</u>	<u>(0.14)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	30/6/2024	30/6/2023
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Loss for the period	<u>(355,288)</u>	<u>(373,225)</u>
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Changes in fair value of debt investments at fair value through other comprehensive income	181,599	56,531
Amounts reclassified to profit or loss upon disposal of debt investments at fair value through other comprehensive income	<u>38,228</u>	<u>9,439</u>
	219,827	65,970
Exchange differences on translation of foreign operations	<u>(77,731)</u>	<u>(96,455)</u>
	142,096	(30,485)
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Changes in fair value of equity investments at fair value through other comprehensive income	<u>(4,751)</u>	<u>14,639</u>
Other comprehensive income, net of tax	<u>137,345</u>	<u>(15,846)</u>
Total comprehensive income attributable to shareholders of the Company	<u><u>(217,943)</u></u>	<u><u>(389,071)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30/6/2024 (Unaudited) <i>HK\$'000</i>	31/12/2023 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
Assets			
Non-current Assets			
Property and equipment		70,788	77,857
Right-of-use assets		104,190	144,665
Intangible assets		13,038	13,087
Interest in associates		164,422	173,073
Interest in joint ventures		755,744	641,160
Other assets		28,532	22,015
Financial assets at fair value through other comprehensive income		4,473,042	5,446,414
Loans and advances	10	50,101	581,270
Deferred tax assets		–	1,005
Total non-current assets		5,659,857	7,100,546
Current Assets			
Loans and advances	10	895,994	459,173
Tax recoverable		213	2,777
Accounts receivable	11	818,560	475,934
Other receivables and prepayments	12	711,006	454,951
Margin loans to customers	13	825,991	1,206,442
Amount due from the ultimate holding company		68,725	78,874
Amount due from a fellow subsidiary		–	2
Amounts due from related parties		214	185
Financial assets at fair value through other comprehensive income		1,488,251	1,341,355
Financial assets at fair value through profit or loss		5,101,955	5,791,191
Derivative financial assets		146	178
Cash and bank balances		1,591,548	1,299,438
Total current assets		11,502,603	11,110,500
Total assets		17,162,460	18,211,046
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital		3,942,216	3,942,216
Accumulated losses		(1,681,762)	(1,339,017)
Revaluation reserve		(416,475)	(619,008)
Foreign currency translation reserve		(265,282)	(187,551)
Total equity		1,578,697	1,796,640

	<i>Notes</i>	30/6/2024 (Unaudited) HK\$'000	31/12/2023 (Audited) HK\$'000
Liabilities			
Non-current Liabilities			
Subordinated loans from the ultimate holding company		1,000,000	1,000,000
Obligation under repurchase agreements		3,115,594	3,864,288
Lease liabilities		47,325	75,170
Financial liabilities at fair value through profit or loss		404,726	519,000
Deferred tax liabilities		6,021	12,623
Debt securities issued		3,889,649	3,891,207
Total non-current liabilities		8,463,315	9,362,288
Current Liabilities			
Borrowings		4,015,767	4,481,264
Obligation under repurchase agreements		936,957	912,197
Tax payable		948	7,682
Provision for staff costs		113,748	118,447
Other payables and accrued expenses		392,383	312,319
Accounts payable	<i>14</i>	691,286	315,892
Contract liabilities		29,420	28,400
Lease liabilities		61,911	69,995
Amount due to a fellow subsidiary		1	–
Financial liabilities at fair value through profit or loss		871,806	799,518
Derivative financial liabilities		6,221	6,404
Total current liabilities		7,120,448	7,052,118
Total liabilities		15,583,763	16,414,406
Total equity and liabilities		17,162,460	18,211,046
Net current assets		4,382,155	4,058,382
Total assets less current liabilities		10,042,012	11,158,928

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

BOCOM International Holdings Company Limited (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 activity of the Company is investment holding. The Group is principally engaged in securities brokerage, margin financing, corporate finance and underwriting, investment and loans, asset management and advisory businesses. The regulated activities carried out by the Company’s licensed subsidiaries include dealing in securities and futures 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 consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company, unless otherwise stated.

The financial information relating to the financial year ended 31 December 2023, that is included in the interim financial report 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 2023 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 report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance (Cap. 622).

2. CHANGES IN ACCOUNTING POLICIES

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements.

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants to interim financial report for the current accounting period.

- Amendments to HKFRS 16, *Leases: Lease Liability in a Sale and Leaseback*
- Amendments to HKAS 1, *Presentation of financial statements: Classification of Liabilities as Current or Non-current (“2020 Amendments”)*
- Amendments to HKAS 1, *Presentation of financial statements: Non-current Liabilities with Covenants (“2022 Amendments”)*
- Amendments to HKAS 7, *Statement of Cash Flows* and HKFRS 7, *Financial instruments: Disclosures — Supplier Finance Arrangements*

Amendments to HKFRSs effective for the financial year ending 31 December 2024 do not have a material impact on the Group.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. 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, investments in companies and investments in loans; and
- (f) Others include headquarter operations such as bank interest income, and interest expense incurred for general working capital purposes and financial technology business.

Inter-segment transactions, if any, are conducted with reference to the prices charged to external third parties. There was no change in basis during the relevant periods.

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

	Six months ended 30 June 2024 (Unaudited)							
	Corporate Brokerage	Corporate finance and underwriting	Asset management and advisory	Margin financing	Investment and loans	Others	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total revenue								
Revenue								
Commission and fee income								
— External	42,331	33,717	19,971	-	-	-	-	96,019
— Internal	63	-	16,200	-	-	-	(16,263)	-
Interest income								
— External	-	-	-	33,766	128,903	-	-	162,669
— Internal	-	-	-	-	17,507	-	(17,507)	-
Proprietary trading income								
— External	-	-	10,000	-	(92,593)	-	-	(82,593)
— Internal	-	-	-	-	-	-	-	-
Other income	5,403	-	-	-	1,678	101,972	-	109,053
	<u>47,797</u>	<u>33,717</u>	<u>46,171</u>	<u>33,766</u>	<u>55,495</u>	<u>101,972</u>	<u>(33,770)</u>	<u>285,148</u>
Total expenses	(77,450)	(44,595)	(51,820)	(62,545)	(426,173)	(47,562)	33,770	(676,375)
Share of results of associates	-	-	-	-	168	-	-	168
Share of results of joint ventures	-	-	-	-	32,535	-	-	32,535
(Loss)/profit before taxation	<u>(29,653)</u>	<u>(10,878)</u>	<u>(5,649)</u>	<u>(28,779)</u>	<u>(337,975)</u>	<u>54,410</u>	<u>-</u>	<u>(358,524)</u>
Other disclosures								
Depreciation	(12,922)	(2,181)	(8,563)	(4,826)	(11,144)	(21,995)	-	(61,631)
Change in impairment allowance	-	(3,729)	-	(18,011)	(32,253)	-	-	(53,993)
Finance costs	(286)	(98)	(152)	(29,936)	(284,980)	(314)	17,507	(298,259)

Six months ended 30 June 2023 (Unaudited)

	Corporate Brokerage <i>HK\$'000</i>	finance and underwriting <i>HK\$'000</i>	Asset management and advisory <i>HK\$'000</i>	Margin financing <i>HK\$'000</i>	Investment and loans <i>HK\$'000</i>	Others <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Total revenue								
Revenue								
Commission and fee income								
— External	47,857	5,104	22,171	—	—	—	—	75,132
— Internal	295	—	8,276	—	—	—	(8,571)	—
Interest income								
— External	—	—	—	56,827	218,471	—	—	275,298
— Internal	—	—	—	—	43,081	—	(43,081)	—
Proprietary trading income								
— External	—	—	45,784	—	(5,805)	—	—	39,979
— Internal	—	—	—	—	—	—	—	—
Other income	5,302	—	177	—	3,701	82,076	—	91,256
	<u>53,454</u>	<u>5,104</u>	<u>76,408</u>	<u>56,827</u>	<u>259,448</u>	<u>82,076</u>	<u>(51,652)</u>	<u>481,665</u>
Total expenses	(82,089)	(48,084)	(59,064)	(71,424)	(577,456)	(68,957)	51,652	(855,422)
Share of results of associates	—	—	—	—	(2,678)	—	—	(2,678)
Share of results of joint ventures	—	—	—	—	7,771	—	—	7,771
(Loss)/profit before taxation	<u>(28,635)</u>	<u>(42,980)</u>	<u>17,344</u>	<u>(14,597)</u>	<u>(312,915)</u>	<u>13,119</u>	<u>—</u>	<u>(368,664)</u>
Other disclosures								
Depreciation	(13,916)	(2,476)	(9,002)	(3,847)	(12,524)	(21,152)	—	(62,917)
Change in impairment allowance	(12)	(1)	—	(1,481)	(157,747)	—	—	(159,241)
Finance costs	(331)	(108)	(223)	(48,829)	(345,305)	(450)	43,081	(352,165)

Six months ended
30/6/2024 30/6/2023
HK\$'000 HK\$'000
(Unaudited) **(Unaudited)**

Total revenue from external customers by location of operations

— Hong Kong	261,375	385,542
— Mainland China	23,773	96,123
	<u>285,148</u>	<u>481,665</u>

4. REVENUE AND OTHER INCOME

(a) Disaggregation of revenue and other income

	Six months ended	
	30/6/2024	30/6/2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
REVENUE		
COMMISSION AND FEE INCOME		
<i>Revenue from contracts with customers within the scope of HKFRS 15</i>		
Brokerage commission	42,331	47,857
Corporate finance and underwriting fee	33,717	5,104
Asset management and advisory fee	19,971	22,171
	<u>96,019</u>	<u>75,132</u>
INTEREST INCOME		
<i>Interest income calculated using the effective interest method</i>		
Interest income from margin financing	33,766	56,827
Interest income from loans and advances	24,500	57,080
Interest income from financial assets at fair value through other comprehensive income	104,403	161,391
	<u>162,669</u>	<u>275,298</u>
PROPRIETARY TRADING INCOME		
<i>Interest income calculated using the effective interest method</i>		
Net trading and investment income		
— Interest income from financial assets at fair value through profit or loss	11,269	22,191
<i>Revenue from other sources</i>		
Net trading and investment income		
— Net (loss)/gain on financial assets at fair value through profit or loss	(93,647)	138,335
— Net (loss)/gain on financial assets at fair value through other comprehensive income	(42,194)	31,043
— Net loss on financial liabilities at fair value through profit or loss	(28,583)	(40,322)
— Net gain/(loss) on derivative financial instruments	11,958	(73,290)
— Fair value changes from financial liabilities to the investors of the funds consolidated	28,342	(82,997)
Dividend income from		
— Financial assets at fair value through profit or loss	30,262	45,019
	<u>(82,593)</u>	<u>39,979</u>
	<u>176,095</u>	<u>390,409</u>

During the six months ended 30 June 2024 and 30 June 2023, there was no gain or loss arising from the derecognition of financial assets at amortised cost.

	Six months ended	
	30/6/2024	30/6/2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
OTHER INCOME		
Handling fees	4,529	5,141
Other interest income	45,843	49,961
Exchange gain	38,968	5,269
Computer software development and maintenance services	13,247	22,880
Information system consultancy services	–	45
Others	6,466	7,960
	<u>109,053</u>	<u>91,256</u>

(b) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

At the end of the reporting period, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HK\$29,420 thousand (31 December 2023: HK\$28,400 thousand). This amount represents revenue expected to be recognised in the future from corporate finance, asset management and advisory services business. The Group will recognise the expected revenue in future when the remaining performance obligations under the contracts are satisfied, which is expected to occur within one year.

5. CHANGE IN IMPAIRMENT ALLOWANCE

	Six months ended	
	30/6/2024	30/6/2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Change in impairment allowance on:		
Accounts receivable	3,729	12
Margin loans to customers	18,011	1,481
Loans and advances	6,989	15,666
Debt investments at fair value through other comprehensive income	32,995	127,323
Other receivables	(1,924)	14,759
	<u>59,800</u>	<u>159,241</u>
Bad debts recovery	(5,807)	–
	<u>53,993</u>	<u>159,241</u>

6. LOSS BEFORE TAXATION

	Six months ended	
	30/6/2024	30/6/2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss before taxation has been arrived at after charging:		
Finance costs:		
— Interest expenses on subordinated loans from the ultimate holding company	29,904	25,027
— Interest expenses on bank loans from the ultimate holding company	13,633	26,444
— Interest expenses on bank loans and overdraft from other financial institutions	87,866	143,396
— Interest expenses on obligation under repurchase agreements	130,087	120,162
— Interest expenses on lease liabilities	1,179	1,426
— Interest expenses on financial liabilities	—	27
— Interest expenses on debt securities issued:		
— payable to the ultimate holding company	686	689
— payable to the fellow subsidiaries	2,267	2,269
— payable to other financial institutions	32,619	32,699
— Others	18	21
	<u>298,259</u>	<u>352,160</u>
— Other borrowing costs to other financial institutions	—	5
	<u>298,259</u>	<u>352,165</u>
Depreciation	61,631	62,917
Operating lease charges	1,972	1,738
Staff costs	173,673	184,210

7. INCOME TAX EXPENSE

	Six months ended	
	30/6/2024	30/6/2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong Profits Tax	743	–
PRC Enterprise Income Tax	12	26
Under provision in prior periods	1,565	3,298
	<hr/>	<hr/>
Total current tax	2,320	3,324
	<hr/>	<hr/>
Deferred tax	(5,556)	1,237
	<hr/>	<hr/>
Income tax expense recognised in profit or loss	<u>(3,236)</u>	<u>4,561</u>

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year.

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profit for the current and prior period. Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the People's Republic of China's entities is 25%.

8. DIVIDENDS

Dividends approved during the interim period

	Six months ended	
	30/6/2024	30/6/2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
No dividend was declared and approved for previous financial year	<hr/>	<hr/>

Dividends attributable to the interim period

No dividend was paid or declared by the Company for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

9. LOSS PER SHARE

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

	Six months ended	
	30/6/2024 (Unaudited)	30/6/2023 (Unaudited)
Loss attributable to shareholders of the Company (in HK\$'000)	(355,288)	(373,225)
Weighted average number of ordinary shares in issue (in '000 shares)	<u>2,734,392</u>	<u>2,734,392</u>
Loss per share (in HKD per share)	<u>(0.13)</u>	<u>(0.14)</u>

There were no potential diluted ordinary shares. The diluted loss per share was the same as the basic loss per share.

10. LOANS AND ADVANCES

	30/6/2024	31/12/2023
	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Gross loans and advances	1,344,776	1,504,413
Less: impairment allowance	<u>(398,681)</u>	<u>(463,970)</u>
	<u>946,095</u>	<u>1,040,443</u>
Net loans and advances:		
Non-current	50,101	581,270
Current	<u>895,994</u>	<u>459,173</u>
	<u>946,095</u>	<u>1,040,443</u>

The maximum exposure to credit risk at the reporting date is the carrying value of loans and advances above.

11. ACCOUNTS RECEIVABLE

	30/6/2024 <i>HK\$'000</i> (Unaudited)	31/12/2023 <i>HK\$'000</i> (Audited)
Corporate finance and underwriting business	13,477	17,690
Dealing in securities and futures business		
— Clients	590,903	83,001
— Brokers	76,582	162,868
— Clearing house	145,403	217,767
	<u>812,888</u>	<u>463,636</u>
Less: impairment allowance	<u>(7,805)</u>	<u>(5,392)</u>
	<u>818,560</u>	<u>475,934</u>

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

	30/6/2024 <i>HK\$'000</i> (Unaudited)	31/12/2023 <i>HK\$'000</i> (Audited)
Current (not past due)	814,211	467,894
Less than 31 days past due	6	781
31–60 days past due	–	–
61–90 days past due	12	581
Over 90 days past due	12,136	12,070
	<u>12,154</u>	<u>13,432</u>
Less: impairment allowance	<u>(7,805)</u>	<u>(5,392)</u>
	<u>818,560</u>	<u>475,934</u>

Client 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.

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

The settlement of the receivables from corporate finance and underwriting business is done based on the completion of each phase of the project.

12. OTHER RECEIVABLES AND PREPAYMENTS

	30/6/2024 <i>HK\$'000</i> (Unaudited)	31/12/2023 <i>HK\$'000</i> (Audited)
Other receivables	699,874	511,084
Less: impairment allowance	<u>(31,236)</u>	<u>(69,607)</u>
	668,638	441,477
Prepayments	<u>42,368</u>	<u>13,474</u>
	<u><u>711,006</u></u>	<u><u>454,951</u></u>

13. MARGIN LOANS TO CUSTOMERS

	30/6/2024 <i>HK\$'000</i> (Unaudited)	31/12/2023 <i>HK\$'000</i> (Audited)
Gross margin loans to customers	963,178	1,325,618
Less: impairment allowance	<u>(137,187)</u>	<u>(119,176)</u>
Net margin loans to customers	<u><u>825,991</u></u>	<u><u>1,206,442</u></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.

14. ACCOUNTS PAYABLE

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

	30/6/2024 <i>HK\$'000</i> (Unaudited)	31/12/2023 <i>HK\$'000</i> (Audited)
Clients — trade settlement	244,762	315,505
Clearing house	194,835	387
Brokers	<u>251,689</u>	<u>—</u>
	<u><u>691,286</u></u>	<u><u>315,892</u></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 businesses.

The settlement terms of accounts payable arising from client businesses are normally two or three days after trade date or at specific terms agreed with clients, brokers or clearing house.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As one of the earliest licensed securities firms with PRC background in Hong Kong, we are one of the largest securities firms specialising in securities brokerage and margin financing, corporate finance and underwriting, investment and loans, asset management and advisory businesses. We believe that one of our core competitive strengths is our ability to offer comprehensive and integrated financial services and products that fulfil various investment and financing needs of clients. In the first half of 2024, the Group adhered to the strategy of gradually transitioning to a business model primarily operating with light assets and enhanced licensed operations. Nevertheless, as a result of the impact brought by the market environment and various other factors, the Group incurred a loss of HK\$355.3 million for the Reporting Period as compared to that of HK\$373.2 million for the same period in 2023.

Securities Brokerage and Margin Financing

Our securities brokerage business includes executing trades on behalf of clients in listed company stocks, bonds, futures, options and other marketable securities. We execute trades on behalf of clients of various securities products, with 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 and options contract products include Hang Seng Index Futures and Options, Mini-Hang Seng Index Futures and Options, Hang Seng China Enterprises Index Futures and Options, Mini-Hang Seng China Enterprises Index Futures and Options and stock options.

In the first half of 2024, due to high uncertainty of the credit cycle, among other factors, the global capital market sentiment remained relatively sluggish, yields on cash and cash management products continued to be high, and investors' willingness to invest in the market, particularly amongst retail clients, remained low. On one hand, our team continued to leverage the Group's strengths by optimising our client structure through the expansion of our portfolio to include local, corporate, and industrial investment clients. On the other hand, we have made advance planning according to market changes, seized the market window, and actively conducted marketing activities to acquire clients for the replacement of strategies such as duration conversion, so as to smooth out the fluctuations in income brought about by the market cycle through diversified products.

For the six months ended 30 June 2024, our commission and fee income from the securities brokerage business was HK\$42.3 million, representing a decrease of HK\$5.6 million or 11.5% as compared with the corresponding period in 2023.

The following table sets forth a breakdown of the commission by product types of our securities brokerage business:

	For the six months ended 30 June			
	2024		2023	
	<i>HK\$'million</i>	<i>%</i>	<i>HK\$'million</i>	<i>%</i>
Hong Kong stocks	25.5	60.3	34.6	72.2
Non-Hong Kong stocks	4.5	10.6	5.9	12.3
Bonds	9.2	21.8	4.4	9.2
Others	3.1	7.3	3.0	6.3
	42.3	100.0	47.9	100.0

Our margin financing business includes offering collateralised financing for stocks and bonds relating to securities transactions to both retail and institutional customers who require financing. In general, the interest rates charged to the margin clients ranges from prime rate minus 2% to prime rate plus 5%, with reference to client's financial background, the quality of underlying collaterals and the overall business relationship with the Company.

In response to the increasing credit risk, the market volatility and the liquidity risk caused by unexpected capital flows, we have adopted structural adjustments to improve the margin financing risk management.

During the first half of 2024, the number of margin client accounts increased to 9,727. The monthly average loan balance decreased and interest income from margin loans for the six months ended 30 June 2024 was HK\$33.8 million, representing a decrease of HK\$23 million or 40.6% as compared with the corresponding period in 2023.

The following table sets forth a summary of key operating and financial information of our margin financing business:

	30/6/2024	31/12/2023
Number of margin accounts	9,727	9,710
Balance of gross margin loans (<i>HK\$'million</i>)	963.2	1,325.6
Monthly average balance (<i>HK\$'million</i>)	1,170.1	1,727.0
Highest month end balance (<i>HK\$'million</i>)	1,331.5	1,935.2
Lowest month end balance (<i>HK\$'million</i>)	963.2	1,325.6
Margin value (<i>HK\$'million</i>) (Note 1)	961.2	1,156.2
Market value (<i>HK\$'million</i>) (Note 2)	2,925.4	4,028.7

Notes:

- 1 Margin value refers to the market value of the securities pledged as collateral for margin loans multiplied by a collateral discount ratio for each individual security.
- 2 Market value refers to the value of the securities pledged as collateral for margin loans at the real-time price of each individual security.

Corporate Finance and Underwriting

We are dedicated to building a comprehensive and cross-border platform for our corporate finance and underwriting business. To address various needs of our corporate clients at different stages, we provide advisory services ranging from IPO sponsorship, equity securities underwriting (both primary and secondary), debt securities underwriting, mergers and acquisitions, pre-IPO financing, and financial advisory.

In the first half of 2024, there were a total of 29 new listings on the Stock Exchange (excluding the listing of special purpose acquisition companies and transfer of listing from GEM to Main Board). The number of new listings decreased by 6.45% as compared with the corresponding period in 2023. The aggregate amount of funds raised through IPOs was HK\$13.15 billion, representing a decrease of 26.04% as compared with the corresponding period in 2023.

During the Reporting Period, we acted as a sole sponsor for one completed IPO Main Board listing project. Furthermore, we acted as a bookrunner for eight completed IPO Main Board listing projects. In respect of debt capital markets, we completed 47 debt issuance projects and successfully assisted corporations in raising USD9.96 billion in aggregate. We also acted as financial advisor for one completed financial advisory project and one completed compliance advisory project.

For the six months ended 30 June 2024, our commission and fee income from corporate finance and underwriting services was HK\$33.7 million, representing an increase of HK\$28.6 million or 560.6% as compared to HK\$5.1 million in the corresponding period of 2023.

Asset Management and Advisory

We offer a full range of asset management products including both public and private equity funds, and discretionary management accounts, as well as investment advisory services, and provide comprehensive investment solutions and high-quality services to corporations, institutions, high-net-worth clients and individual investors. In addition to Hong Kong, we also provide asset management services in Mainland China via BOCOM International (Shanghai) in Shanghai and BOCOM International (Shenzhen) in Qianhai, Shenzhen, and have built up a cross-border asset management platform.

As a fund manager, we have continued to build up our core competitiveness in investment and research integration. In particular, for the six months ended 30 June 2024, BOCOM International Dragon Core Growth Fund had a return of 6.85%, ranking in the top 10 percent of its category in the Hong Kong market. We have established over ten BOCOM science and technology innovation equity investment series funds in provinces and cities such as Shanghai, Jiangsu, Zhejiang, Hubei, Shandong, Hebei and Shenzhen, which focus on investing in high-quality enterprises engaged in fields such as new energy automobiles, new energy, semiconductors, artificial intelligence, new materials, bio-pharmaceuticals, and next generation information technology. Leveraging on BOCOM's group resources, we also provided a full range of integrated financial services to these high-quality science and innovation enterprises. We have established the first fund-of-funds in Hainan, with us serving as the fund manager. This fund is specifically designed to target high-quality investment institutions operating in the digital economy and other industries that receive substantial local support. It invests in the respective sub-funds of such investment institutions, aiming to assist local governments in attracting investment and capital and foster the growth of sub-fund investors through creating synergy in collaboration with the resources of BOCOM Group. Furthermore, we provided investors in the PRC and abroad with diversified cross-border asset management product portfolio and a full chain of QFLP and QDIE fund product services. As of 30 June 2024, we have established 11 QFLP funds and one QDIE fund, of which our QFLP fund has become the first fund of its kind to be established in Hainan and Qingdao.

As at 30 June 2024, the total amount of our AUM was approximately HK\$17,357.2 million, representing a decrease of 10.0% from HK\$19,283.6 million as at 31 December 2023. For the six months ended 30 June 2024, asset management and advisory fee income decreased by HK\$2.2 million or 9.9%, as compared to the same period in 2023, to HK\$20.0 million. Proprietary trading gain was HK\$10.0 million, representing the refund of the guarantee fee payment as compared to a proprietary trading gain of HK\$45.8 million for the same period in 2023.

Investment and Loans

Our investment and loans business comprises equity investment, bonds investment, structured financing and loans. We aim to achieve a balance between investment returns and tolerable risks.

For equity investments, in recent years, we carried out plans with foresight centered on new quality productive forces by closely monitoring strategic emerging industries, advanced manufacturing industries, areas such as those with technological innovation and upgrading of traditional industries, and participated in debt-equity hybrid investments in enterprises with high growth potential. For bond investments, we preferred short-to-medium duration products with good credit standing and offshore premium.

For structured financing and corporate loans, we launched a full spectrum of credit business during the Reporting Period, including leveraged financing, structured products, asset-backed loans, convertible bonds, etc. In terms of asset classes, we mainly focused on loans with high-quality underlying assets and counterparties with good credit track record. During the Reporting Period, we had six clients, comprising one individual client and five corporate clients. Our corporate clients primarily included corporate clients in the real estate industry and stated-owned enterprises, to which the principal amount of loans granted amounted to HK\$708 million and HK\$505 million, respectively, as at 30 June 2024 (as at 31 December 2023: the principal amount of loans granted to corporate clients in the real estate industry, stated-owned enterprises and pharmaceuticals industry amounted to HK\$798 million, HK\$520 million and HK\$55 million, respectively). The funding sources of our credit business included bank and other borrowings, obligation under repurchase agreements, subordinated loans, debt securities issued and internal funding. We determined the credit limit of respective clients based on various factors, including but not limited to the total value of assets maintained with the Group as well as their background, annual income, trading patterns and credit history. During the Reporting Period, the aggregate amount of loans granted to the top five clients was HK\$1,274 million, accounting for 94.7% of the total amount of loans granted by the Group during the Reporting Period, in which HK\$505 million was granted to the single largest client, representing 37.6% of the total amount of loans granted by the Group during the Reporting Period (as at 31 December 2023: the aggregate amount of loans granted to the top five clients was HK\$1,301 million, accounting for 86.5% of the total amount of loans granted by the Group during 2023, in which HK\$520 million was granted to the single largest client, representing 34.6% of the total amount of loans granted by the Group during 2023).

During the Reporting Period, the loans provided by the Group primarily included short-term and long-term loans. The interest rates we charged for the short-term loans ranged from 5.25% to 8.0% per annum, whilst the interest rates charged for the long-term loans ranged from 6.5% to 7.0% per annum (as at 31 December 2023: the interest rates charged for the short-term loans ranged from 5.25% to 8.78% per annum, whilst the interest rates charged for the long-term loans ranged from 5.5% to 7.0% per annum). We considered a number of factors when determining the interest rate to be charged to each client, including the comprehensive business relationship, risk exposure (which covers, among others, the financial capability, business prospect, credit history and background of the client) and funding cost.

For the six months ended 30 June 2024, interest income from loans and advances and financial assets at fair value through other comprehensive income was HK\$128.9 million, representing a decrease of approximately 41.0% as compared to HK\$218.5 million for the same period in 2023. Proprietary trading loss was HK\$92.6 million, representing an increase in loss of HK\$86.8 million compared to the same period in 2023.

In general, we require our clients to provide collateral in the form of floating charge or fixed charge to secure their payment obligations under the loans granted to protect our financial position. For secured collateral, during the Reporting Period, 87.6% of the secured collateral was in the form of securities and 12.4% was in the form of real estate properties (as at 31 December 2023: 90.2% of the secured collateral was in the form of securities and 9.8% was in the form of real estate properties).

During the Reporting Period, the Group granted short-term loans with maturity of one year in the principal amount ranging from HK\$125 million to HK\$505 million to its clients having considered the concentration risks of the loan portfolio and the underlying collateral (as at 31 December 2023: short-term loans with maturity of one year in the principal amount ranging from HK\$55 million to HK\$360 million were granted); whilst long-term loans with maturity ranging from two to five years in the principal amount ranging from HK\$71 million to HK\$169 million were only granted to corporate clients under syndication arrangement (as at 31 December 2023: long-term loans with maturity ranging from two to six years in the principal amount ranging from HK\$71 million to HK\$520 million were granted).

The table below sets forth our investment position by asset types for our equity and fixed income investment business:

	30/6/2024		31/12/2023	
	<i>HK\$'million</i>	%	<i>HK\$'million</i>	%
Fixed income securities	7,322.4	71.4	8,093.8	72.8
Bonds	6,879.1	67.1	7,604.0	68.4
Preference shares	443.3	4.3	489.8	4.4
Equity investments	70.3	0.7	97.3	0.9
Funds	2,867.5	27.9	2,927.1	26.3

Research

Our research team provides independent and objective research on macroeconomics, major global asset classes, and cross-asset and multi-perspective investment strategies. In the first half of 2024, we enhanced our research on regional economics and new quality productive forces, while continuing to focus on forward-looking and thematic research, explore emerging investment trends, and strengthen support to the Group's business. Meanwhile, we will continue to improve our research services to institutional clients with more detailed and insightful research. Going forward, we will continue to conduct differentiated and in-depth research to bolster our market competitiveness. As at 30 June 2024, the research covered stocks of 135 listed companies in nine industries with 47 subsectors (statistics adjusted based on the industry classifications of Wind) and the number of our in-depth reports increased 30% year-on-year, and our analysts' roadshows on various platforms attracted nearly 0.3 million viewers.

FINANCIAL REVIEW

Financial Performance

The following table sets out the breakdown of total revenue and other income by segments:

	For the six months ended	
	30 June	
	2024	2023
	<i>HK\$'million</i>	<i>HK\$'million</i>
Brokerage	47.7	53.2
Corporate finance and underwriting	33.7	5.1
Asset management and advisory	29.9	68.1
Margin financing	33.8	56.8
Investment and loans	38.0	216.4
Others	102.0	82.1
Total	<u>285.1</u>	<u>481.7</u>

The Group's loss for the six months ended 30 June 2024 was approximately HK\$355.3 million, compared to a loss of HK\$373.2 million for the same period in 2023.

Liquidity, Financial Resources and Gearing Ratio

The Group's cash and bank balances as at 30 June 2024 increased by HK\$292.1 million to HK\$1,591.5 million (31 December 2023: HK\$1,299.4 million).

The Group's net current assets increased by HK\$323.8 million to HK\$4,382.2 million as at 30 June 2024 (31 December 2023: HK\$4,058.4 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 1.6 times as at 30 June 2024 (31 December 2023: 1.6 times).

As at 30 June 2024, the total borrowings of the Group amounted to HK\$12,958.0 million (31 December 2023: HK\$14,149.0 million), comprising of bank and other borrowings, obligation under repurchase agreements, subordinated loans and debt securities issued. Among these, the subordinated loans from the ultimate holding company amounted to HK\$1,000.0 million (31 December 2023: HK\$1,000.0 million).

Debt securities issued represented US\$500 million 1.75% guaranteed notes issued by a wholly owned subsidiary of the Company on 28 June 2021 under the medium term note programme. The notes and the programme are listed on the Stock Exchange and the notes are issued to professional investors only as described in the pricing supplement dated 22 June 2021 and the offering circular dated 4 June 2021. The notes will mature on 28 June 2026 and are guaranteed by the Company.

As at 30 June 2024, the Group's gearing ratio was 820.8% (31 December 2023: 787.5%), 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.

Material Acquisitions and Disposals

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

Significant Investments Held

During the Reporting Period, there was no significant investment held by the Group.

Charges on Group Assets

As at 30 June 2024, there was no charge on Group assets (31 December 2023: Nil).

Capital Commitments

As at 30 June 2024, the Group had no significant capital commitments.

Contingent Liabilities

As at 30 June 2024, the Group had no material contingent liabilities.

OUTLOOK AND STRATEGY

In the second half of 2024, the global economic outlook is expected to further improve. US economy will likely remain resilient, but sticky inflation driven by core service inflation of the US may force the Federal Reserve to maintain relatively higher interest rates for longer. The eurozone recovery may regain momentum, and the easing financial conditions have gradually restored demand. The global manufacturing cycle has picked up, and emerging markets are expected to maintain their growth momentum. The Chinese economy is expected to continue to grow under both internal and external demand. External demand remains to be optimistic as improving global manufacturing sentiments, easing global liquidity concern, and higher expectations of US interest rate cuts will support restocking demand in Europe and the US. Cyclical demand such as real estate is also expected to recover. The recovery of demand for intermediate products and capital goods in emerging markets will provide strong support for exports. Domestic demand remains to be further strengthened. It is expected that macroeconomic policies will be implemented, including the subsequent issuance of special treasury bonds and the speeding up of the issuance of local government bonds. Additionally, the strong real estate stimulus measures will demonstrate continued effect, while the proactive fiscal measures will be designed based on equipment renewal and trade-in of consumer goods, which will provide strong support to demand and supply. Furthermore, the major overseas central banks will gradually enter the interest rate cut cycle with an anticipated interest rate and reserve cut by the central bank of China. All these initiatives will help domestic demand continue to recover and improve. It is anticipated that the economy will maintain its upswing going forward.

The Company will actively seize the opportunities arising from the national policy of enhancing Hong Kong's status as an international financial centre, adhere to the principles of strengthening the foundation, making progress amidst stability, improving quality and efficiency, and closely focus on the central theme of high-quality development. With these efforts, the Company will transit towards an asset-light business model, while constantly advancing licensed business operations and rigorously managing risks. Simultaneously, we aim to establish a brand in sci-tech finance, cultivate a green financial ecosystem, achieve breakthroughs in inclusive finance, build a robust digital financial infrastructure, and explore the characteristics of pension finance. These efforts are aligned with our commitment to the "Five Subjects" of financial endeavours, enhancing our capability to deliver integrated financial services comprehensively. Leveraging the intra-group linkage, we strive to create value for our Shareholders and investors.

OTHER INFORMATION

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares, if any) during the six months ended 30 June 2024.

Compliance with the Corporate Governance Code

The Company has adopted the Corporate Governance Code of the Listing Rules as its own code of corporate governance. For further details, please refer to the “Corporate Governance Report” section contained in the Company’s 2023 annual report. During the six months ended 30 June 2024, the Company has complied with all the code provisions set out in part 2 of the Corporate Governance Code.

Review of Interim Results

The Audit Committee has reviewed with management and the Company’s auditor, KPMG, the accounting principles and practices adopted by the Group and discussed the financial reporting matters including the review of the Company’s interim report for the six months ended 30 June 2024.

The unaudited condensed consolidated interim financial information for the Reporting Period has been reviewed by the Company’s auditor, KPMG, 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

No dividend was paid or declared by the Company for the six months ended 30 June 2024 (2023 1H: Nil).

Publication of Interim Results and Interim Report

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.bocomgroup.com). The 2024 interim report containing all the information required by the Listing Rules will be made available on the above websites in due course.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

“1H”	the first six months of a particular calendar year
“AUM”	the amount of assets under management
“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 being the ultimate controlling Shareholder of the Company
“BOCOM Group”	BOCOM and its subsidiaries (excluding the Group)
“BOCOM International (Shanghai)”	BOCOM International (Shanghai) Equity Investment Management Co., Ltd. (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 International (Shenzhen)”	BOCOM International Private Equity Fund Management (Shenzhen) Company Limited (交銀國際私募股權基金管理(深圳)有限公司), a company incorporated in the PRC with limited liability on 3 February 2016, a subsidiary of the Company
“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”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“Director(s)”	director(s) of the Company
“Federal Reserve”	the Federal Reserve System of the US
“Group” or “we” or “us”	the Company and its subsidiaries
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IPO(s)”	initial public offering(s)
“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)
“PRC” or “China”	the People’s Republic of China

“QDIE”	Qualified Domestic Investment Entity
“QFLP”	Qualified Foreign Limited Partnership
“Reporting Period”	the six months ended 30 June 2024
“RMB”	Renminbi, the lawful currency of the PRC
“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
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange” or “HKEX”	The Stock Exchange of Hong Kong Limited
“US” or “United States”	the United States of America
“USD” or “US\$”	United States dollars, the lawful currency of the United States

By order of the Board
BOCOM International Holdings Company Limited
TAN Yueheng
Chairman and Executive Director

Hong Kong, 26 August 2024

As at the date of this announcement, the Board comprises Mr. TAN Yueheng, Mr. XIE Jie and Mr. WANG Xianjia as Executive Directors; Mr. SHAN Zengjian, Ms. ZHU Chen and Mr. WANG Yongqing as Non-executive Directors; and Mr. TSE Yung Hoi, Mr. MA Ning and Mr. LIN Zhijun as Independent Non-executive Directors.