交銀國際
BOCOM International

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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

The Board is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 30 June 2017, together with the comparative figures for the corresponding period in 2016.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended	
		30/6/2017	30/6/2016
		Unaudited	Unaudited
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**449,733**	398,109
Other income	*4*	**15,544**	12,155
Revenue and other income		**465,277**	410,264
Commission and brokerage expenses		**(31,359)**	(28,914)
Finance costs	*6*	**(57,403)**	(34,208)
Staff costs	*6*	**(112,194)**	(85,982)
Depreciation	*6*	**(3,753)**	(4,193)
Other operating expenses		**(116,547)**	(85,371)
Impairment losses	*5*	**(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	*6*	**126,635**	168,174
Income tax expense	*7*	**(16,070)**	(28,659)
Profit for the period		**110,565**	139,515

	Notes	Six months ended 30/6/2017 Unaudited *HK$'000*	30/6/2016 Unaudited *HK$'000*
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)	*9*	**0.05**	0.07

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	30/6/2017	30/6/2016
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Profit for the period	**110,565**	139,515
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss		
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

	Notes	**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		**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	*10*	**46,464**	–
Tax recoverable		**24,481**	20,132
Accounts receivable	*11*	**993,367**	585,026
Other receivables and prepayments	*12*	**70,187**	75,204
Margin loans to customers	*13*	**4,847,522**	5,123,260
Amounts due from related parties		**2,226**	16,093
Financial assets at fair value through profit or loss		**615,940**	566,020
Derivative financial assets		**6,190**	359
Cash and bank balances		**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		**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

	Notes	**30/6/2017** **Unaudited** ***HK$'000***	31/12/2016 Audited *HK$'000*
Liabilities			
Non-current liabilities			
Bank loans		**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		**2,408,935**	3,551,620
Subordinated loans from the ultimate holding company		**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	*14*	**652,619**	115,351
Deferred revenue		**14,031**	14,309
Amount due to the ultimate holding company		**5,415**	5,806
Financial liabilities at fair value through profit or loss		**21,218**	18,446
Derivative financial liabilities		**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

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. 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.

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, investment in companies and investment in loans.

(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							
	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								
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
	84,404	55,362	61,995	162,817	103,396	8,451	(11,148)	465,277
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	(18,399)	(7,610)	28,687	103,393	37,963	(17,399)	–	126,635
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)

	Six months ended 30 June 2016							
	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								
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
	75,234	53,097	59,701	166,294	55,408	6,395	(5,865)	410,264
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	(19,057)	(213)	24,122	119,365	37,562	6,395	–	168,174
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	30/6/2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue from external customer by location of operations:		
– Hong Kong	**441,186**	352,342
– Mainland China	**8,547**	45,767
	449,733	398,109

4. REVENUE AND OTHER INCOME

	Six months ended	
	30/6/2017	30/6/2016
	HK$'000	*HK$'000*
	(Unaudited)	(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

	Six months ended	
	30/6/2017	30/6/2016
	HK$'000	*HK$'000*
	(Unaudited)	(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

5. IMPAIRMENT LOSSES

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

6. PROFIT BEFORE TAXATION

	Six months ended	
	30/6/2017	30/6/2016
	HK$'000	*HK$'000*
	(Unaudited)	(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
	57,403	34,208
Depreciation	**3,753**	4,193
Listing expenses	**25,851**	–
Operating lease charges	**27,233**	28,216
Staff costs	**112,194**	85,982

7. INCOME TAX EXPENSE

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

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.

8. 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).

9. 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	30/6/2016
	HK$'000	*HK$'000*
	(Unaudited)	(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.

10. LOANS AND ADVANCES

	30/6/2017	31/12/2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Gross loans and advances	**317,434**	270,970
Less: impairment allowance		
– individually assessed	**(270,970)**	(270,970)
	46,464	–
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	**–**	(111,498)
End of the period/year	**270,970**	270,970

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

11. ACCOUNTS RECEIVABLE

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

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

	30/6/2017	31/12/2016
	HK$'000	*HK$'000*
	(Unaudited)	(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	**112,315**	2,433
	112,726	7,003
	993,367	585,026

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.

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.

12. OTHER RECEIVABLES AND PREPAYMENTS

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

13. MARGIN LOANS TO CUSTOMERS

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

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:

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

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.

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.

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.

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 the following contingent liabilities arising in the ordinary course of business:

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.

OUTLOOK

The 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 mangement 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.

OTHER INFORMATION

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 over-allotment option was partially exercised and the Company issued 67,712,000 Shares at HK$2.68 per Share for total gross proceeds of approximately HK$181.5 million.

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.

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 unaudited condensed consolidated interim financial information of the Group 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).

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 2017 interim report containing all the information required by the Listing Rules will be despatched to shareholders of the Company and 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:

"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
"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
"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
"Share(s)"	ordinary share(s) in the capital of the Company
"Stock Exchange"	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

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

Hong Kong, 22 August 2017

As at the date of this announcement, the Board of Directors of the Company comprises Mr. TAN Yueheng, Mr. LI Ying and Mr. CHENG Chuange as Executive Directors; Mr. WANG Yijun, Ms. LIN Zhihong and Mr. SHOU Fugang as Non-executive Directors; Mr. TSE Yung Hoi, Mr. MA Ning and Mr. LIN Zhijun as Independent Non-executive Directors.