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)

ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

The Board is pleased to announce the audited consolidated financial results of the Group for the year ended 31 December 2017 together with the comparative figures for the year ended 31 December 2016.

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	**2017** ***HK$'000***	2016 *HK$'000*
Revenue	*4*	**1,174,949**	1,023,269
Other income	*4*	**45,584**	29,704
Revenue and other income		**1,220,533**	1,052,973
Commission and brokerage expenses		**(75,230)**	(59,891)
Finance costs	*5*	**(133,028)**	(99,670)
Staff costs	*6*	**(276,753)**	(243,237)
Depreciation		**(8,685)**	(10,323)
Other operating expenses		**(211,310)**	(199,691)
Impairment losses	*7*	**(80,375)**	(46,551)
Total expenses		**(785,381)**	(659,363)
Operating profit		**435,152**	393,610
Share of results of associates		**998**	9,905
Share of results of a joint venture		**13**	–

	Notes	2017 HK$'000	2016 HK$'000
Profit before taxation		**436,163**	403,515
Income tax expense	*8*	**(32,651)**	(52,563)
Profit for the year		**403,512**	350,952
Attributable to:			
Shareholders of the Company		**403,907**	350,609
Non-controlling interests		**(395)**	343
		403,512	350,952
Earnings per share attributable to shareholders of the Company for the year – Basic/Diluted (in HKD per share)	*10*	**0.16**	0.18

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 HK$'000	2016 HK$'000
Profit for the year		**403,512**	350,952
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Changes in fair value of available-for-sale investments		**89,288**	(16,440)
Amounts reclassified to profit or loss upon disposal of available-for-sale investments		**(61,019)**	(29,592)
Reclassification gain from transfer of held-to-maturity investments to available-for-sale investments		**–**	36,782
Other comprehensive income/(loss), net of tax		**28,269**	(9,250)
Total comprehensive income		**431,781**	341,702
Attributable to:			
Shareholders of the Company		**432,176**	341,359
Non-controlling interests		**(395)**	343
		431,781	341,702

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Notes	31/12/2017 HK$'000	31/12/2016 HK$'000
Assets			
Non-current Assets			
Property and equipment		**20,983**	19,784
Intangible assets		**3,196**	3,196
Interest in associates		**103,714**	102,716
Interest in a joint venture		**1,782**	1,769
Other assets		**42,042**	28,727
Available-for-sale investments		**4,524,786**	3,132,641
Loans and advances	*11*	**384,572**	–
Deferred tax assets		**656**	302
Total non-current assets		**5,081,731**	3,289,135
Current Assets			
Loans and advances	*11*	**1,093,548**	–
Tax recoverable		**10,987**	20,132
Accounts receivable	*12*	**560,990**	585,026
Other receivables and prepayments	*13*	**172,126**	75,204
Margin loans to customers	*14*	**6,416,790**	5,123,260
Amounts due from related parties		**3,392**	16,093
Financial assets at fair value through profit or loss		**2,757,659**	566,020
Derivative financial assets		**831**	359
Cash and bank balances		**1,870,268**	504,054
Total current assets		**12,886,591**	6,890,148
Total assets		**17,968,322**	10,179,283
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital		**3,942,216**	2,000,000
Retained earnings		**2,399,314**	1,995,407
Revaluation reserve		**14,508**	(13,761)
Total equity attributable to shareholders of the Company		**6,356,038**	3,981,646
Non-controlling interests		**4,077**	4,472
Total equity		**6,360,115**	3,986,118

	Notes	31/12/2017 HK$'000	31/12/2016 HK$'000
Liabilities			
Non-current liabilities			
Borrowings		**–**	1,296,395
Deferred tax liabilities		**130**	130
Total non-current liabilities		**130**	1,296,525
Current Liabilities			
Borrowings		**10,068,242**	3,551,620
Subordinated loans from the ultimate holding company		**1,000,000**	1,000,000
Tax payable		**5,783**	1,353
Provision for staff costs		**53,710**	81,031
Other payables and accrued expenses		**38,145**	108,370
Accounts payable	*15*	**390,668**	115,351
Deferred revenue		**25,788**	14,309
Amount due to the ultimate holding company		**6,080**	5,806
Financial liabilities at fair value through profit or loss		**18,858**	18,446
Derivative financial liabilities		**803**	354
Total current liabilities		**11,608,077**	4,896,640
Total liabilities		**11,608,207**	6,193,165
Total equity and liabilities		**17,968,322**	10,179,283
Net current assets		**1,278,514**	1,993,508
Total assets less current liabilities		**6,360,245**	5,282,643

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 trading and brokerage, margin financing, corporate finance and underwriting, investment and loans, asset management and advisory businesses and proprietary investment activities. 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 year ended 31 December 2017 and 2016 included in this announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those financial years but is derived from those financial statements. Further information relating to these statutory financial statements 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 and will deliver the financial statements for the year ended 31 December 2017 in due course.

The Company's auditor has reported on those financial statements for both years. The auditor's reports were 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 sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

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 adoption of amendments to HKFRSs effective for the financial year ended 31 December 2017.

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

(a) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

HKFRS 9 Financial Instruments

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

The majority of the Group's debt instruments that are currently classified as available-for-sale (AFS) will satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets. However, certain investments in preference shares, funds and convertible notes at a fair value of HK$984,398 thousand will be reclassified to financial assets at fair value through profit or loss (FVPL). Related fair value gains of HK$24,478 thousand will have to be transferred from the revaluation reserve to retained earnings on 1 January 2018.

The other financial assets held by the Group include:

- equity instruments currently classified as AFS for which a FVOCI election is available, and

- debt and equity instruments currently measured at fair value through profit or loss (FVPL) which will continue to be measured on the same basis under HKFRS 9.

The Group does not expect the new guidance to affect the classification and measurement of these financial assets. However, gains or losses realised on the sale of equity instruments at FVOCI will no longer be transferred to profit or loss on sale. Consequently, such gains and losses will be reported in other comprehensive income under HKFRS 9. During 2017, HK$31,884 thousand of such gains were recognised in profit or loss in relation to the disposal of available-for-sale financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 *Financial Instruments: Recognition and Measurement* and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect material change of the loss allowance for the Group's trade debtors and other debt investments.

The new standard also introduces expanded disclosure requirements and change in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

HKFRS 15 Revenue from Contracts with Customers

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management anticipates that the application of HKFRS15 will not have a material impact on the amounts reported in the Group's financial statements in the future based on the existing business model of the Group as at 31 December 2017.

HKFRS 16 Leases

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$75,545 thousand. However, the Group has not yet determined to what extent these commitments will result in the recognition of right-of-use asset and lease liabilities on adoption of the new standard and how this will affect the Group's profit and classification of cash flows going forward.

HKFRS16 must be applied for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

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 year ended 31 December 2017.

There was no client contributing over 10% of the total revenue of the Group.

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

	Year ended 31 December 2017							
	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$'000*	Total *HK$'000*
Total revenue								
Commission and fee income								
– External	190,310	154,127	99,766	–	–	–	–	444,203
– Internal	–	33,411	8,828	–	–	–	(42,239)	–
Interest income from loans or clients								
– External	–	–	–	333,706	35,971	–	–	369,677
– Internal	–	–	–	–	12,642	–	(12,642)	–
Proprietary trading income								
– External	–	–	–	–	361,069	–	–	361,069
– Internal	–	–	–	–	–	–	–	–
Other income	18,199	1,082	1,242	–	7,886	17,175	–	45,584
	208,509	188,620	109,836	333,706	417,568	17,175	(54,881)	1,220,533
Total expenses	(215,019)	(177,917)	(99,713)	(135,498)	(149,571)	(62,544)	54,881	(785,381)
Share of results of associates	–	–	–	–	998	–	–	998
Share of results of a joint venture	–	–	–	–	13	–	–	13
(Loss)/profit before taxation	(6,510)	10,703	10,123	198,208	269,008	(45,369)	–	436,163
Other disclosures								
Depreciation	(2,286)	(108)	(1,591)	(4,635)	(65)	–	–	(8,685)
Impairment losses	–	(60,604)	–	(19,771)	–	–	–	(80,375)
Finance costs	–	–	–	(44,741)	(100,929)	–	12,642	(133,028)

	Year ended 31 December 2016							
	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$'000*	Total *HK$'000*
Total revenue								
Commission and fee income								
– External	140,820	216,494	129,443	–	–	–	–	486,757
– Internal	–	750	18,441	–	–	–	(19,191)	–
Interest income from loans or clients								
– External	–	–	–	331,906	34,713	–	–	366,619
– Internal	–	–	–	–	7,407	–	(7,407)	–
Proprietary trading income								
– External	–	–	–	–	169,893	–	–	169,893
– Internal	–	–	–	–	–	–	–	–
Other income	16,437	–	–	–	25	13,242	–	29,704
	157,257	217,244	147,884	331,906	212,038	13,242	(26,598)	1,052,973
Total expenses	(211,783)	(150,263)	(70,465)	(154,361)	(83,322)	(15,767)	26,598	(659,363)
Share of results of associates	–	–	–	–	9,905	–	–	9,905
Share of results of a joint venture	–	–	–	–	–	–	–	–
(Loss)/profit before taxation	(54,526)	66,981	77,419	177,545	138,621	(2,525)	–	403,515
Other disclosures								
Depreciation	(3,600)	(198)	(2,457)	(3,996)	(72)	–	–	(10,323)
Impairment losses	–	(20,094)	–	(8,260)	(18,197)	–	–	(46,551)
Finance costs	–	–	(1,240)	(53,335)	(52,502)	–	7,407	(99,670)

4. REVENUE AND OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
REVENUE		
COMMISSION AND FEE INCOME		
Brokerage commission	**190,310**	140,820
Corporate finance and underwriting fee	**154,127**	216,494
Asset management and advisory income	**99,766**	129,443
	444,203	486,757
INTEREST INCOME		
Interest income from margin financing	**333,706**	331,906
Interest income from loans and advances	**35,971**	34,713
	369,677	366,619
PROPRIETARY TRADING INCOME		
Unrealised gain on financial assets	**41,288**	23,279
Realised gain/(loss) on financial assets at fair value through profit or loss	**53,823**	(2,955)
Realised gain on available-for-sale investments	**61,019**	29,592
Realised gain on held-to-maturity investments	**–**	926
Fair value changes from financial liabilities at fair value through profit or loss	**(3,004)**	1,133
Dividend income from		
– Financial assets at fair value through profit or loss	**1,822**	813
– Available-for-sale investments	**67,605**	32,911
Bond interest income from		
– Financial assets at fair value through profit or loss	**25,238**	13,961
– Available-for-sale investments	**113,278**	39,650
– Held-to-maturity investments	**–**	30,583
	361,069	169,893
	1,174,949	1,023,269
OTHER INCOME		
Handling fees	**18,285**	16,195
Other interest income	**15,472**	8,808
Exchange gains	**1,367**	–
Others	**10,460**	4,701
	45,584	29,704

5. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest expenses on subordinated loans from the ultimate holding company	**20,532**	17,796
Interest expenses on loans from the ultimate holding company	**31,329**	17,143
Interest expenses on other bank loans and overdraft	**79,514**	63,489
Others	**1,653**	1,242
	133,028	99,670

6. STAFF COSTS

	2017	2016
	HK$'000	*HK$'000*
– Salaries, bonus, staff allowances	**263,121**	235,263
– Director's fees	**1,080**	350
– Contributions to retirement benefit scheme	**12,552**	7,624
	276,753	243,237

7. IMPAIRMENT LOSSES

	2017	2016
	HK$'000	*HK$'000*
Impairment losses on:		
Loans and advances	**–**	18,197
Accounts receivable from corporate finance and underwriting business	**60,604**	20,094
Margin loans to customers	**19,771**	8,260
	80,375	46,551

8. INCOME TAX EXPENSE

	2017	2016
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profit Tax	**33,879**	39,064
PRC Enterprise Income Tax	**–**	10,669
(Over)/under provision in prior years	**(874)**	2,410
Total current tax	**33,005**	52,143
Deferred tax		
(Reversal)/addition from temporary difference	**(354)**	420
Income tax expense recognised in profit or loss	**32,651**	52,563

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

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% from 1 January 2008 onwards.

9. DIVIDENDS

	2017	2016
	HK$'000	*HK$'000*
Final dividend proposed after the end of the reporting period of HK$0.08 per ordinary share (2016: Nil)	**218,751**	–

The final dividend proposed after the end of the reporting period has not been recognized as a liability at the end of the reporting period.

10. EARNINGS PER SHARE

(a) Basic

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 year.

	2017	2016
Profit attributable to shareholders of the Company (HK$'000)	**403,907**	350,609
Weighted average number of ordinary shares in issue (in '000 shares)	**2,451,908**	2,000,000
Earnings per share (in HKD per share)	**0.16**	0.18

(b) Diluted

For the years ended 31 December 2017 and 2016, there were no potential diluted ordinary shares, so the diluted earnings per share were the same as the basic earnings per share.

11. LOANS AND ADVANCES

	2017	2016
	HK$'000	*HK$'000*
Gross loans and advances	**1,749,090**	270,970
Less: Loan impairment allowances	**(270,970)**	(270,970)
	1,478,120	–
Net loans and advances		
Non-current portion	**384,572**	–
Current portion	**1,093,548**	–
	1,478,120	–

Loan impairment allowances

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**270,970**	364,271
Impairment allowances charged during the year *(Note 7)*	**–**	18,197
Loans and advances written off during the year as uncollectible	**–**	(111,498)
At year end	**270,970**	270,970

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

12. ACCOUNTS RECEIVABLE

	2017	2016
	HK$'000	*HK$'000*
Corporate finance and underwriting business	**105,599**	158,398
Less: impairment losses *(Note 7)*	**(60,604)**	(20,094)
	44,995	138,304
Dealing in securities and futures business:		
– Clients	**165,831**	223,435
– Brokers	**87,989**	86,155
– Clearing house	**262,175**	137,132
	515,995	446,722
	560,990	585,026

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

	2017	2016
	HK$'000	*HK$'000*
Neither past due nor impaired	**551,726**	578,023
Less than 31 days past due	**177**	4,351
31 – 60 days past due	**3**	169
61 – 90 days past due	**–**	50
Over 90 days past due	**9,084**	2,433
	9,264	7,003
	560,990	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 clients are interest bearing with interest rate of prime rate of Bank of Communications Hong Kong Branch plus 5%.

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.

13. OTHER RECEIVABLES AND PREPAYMENTS

	2017	2016
	HK$'000	*HK$'000*
Other receivables	**163,047**	66,395
Prepayments	**9,079**	8,809
	172,126	75,204

14. MARGIN LOANS TO CUSTOMERS

	2017	2016
	HK$'000	*HK$'000*
Gross margin loans to customers	**6,444,821**	5,131,520
Less: Impairment allowances	**(28,031)**	(8,260)
Net margin loans to customers	**6,416,790**	5,123,260

Impairment allowances

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**8,260**	–
Impairment allowances charged during the year *(Note 7)*	**19,771**	8,260
At year end	**28,031**	8,260

Margin loans to customers analysed by nature

	2017	2016
Institutions	**4,744,714**	3,081,558
Individuals	**1,672,076**	2,041,702
Total	**6,416,790**	5,123,260

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.

15. ACCOUNTS PAYABLE

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

	2017	2016
	HK$'000	*HK$'000*
Clients – trade settlement	**388,080**	80,142
Clearing house	**2,588**	14,341
Brokers	**–**	20,868
	390,668	115,351

No ageing analysis is disclosed, as in the opinion of the Directors, an ageing analysis does not give additional view 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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 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, H-shares index futures and options, mini-H-shares index futures and options and stock options.

Propelled by the improved global economic situation and monetary easing measures, the Hong Kong stock market staged a strong rally in 2017. The Hang Seng Index closed at 29,919.15, representing a year-on-year increase of 36%, the largest annual increase since 2009. The average daily turnover in 2017 was HK$88.2 billion, representing an increase of 32% from HK$66.9 billion in 2016. Contributed by the enhancement of our trading system and improvement of our client base, the group has outperformed the market. Our market share increased and our trading value recorded a growth of 54% from HK$156.1 billion to HK$240.7 billion.

Benefiting from the above, our commission and fee income from the securities brokerage business recorded an increase from HK$140.8 million to HK$190.3 million representing a growth of 35.2% as compared to the year ended 31 December 2016.

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

	2017		2016	
	HK$' million	***%***	*HK$' million*	*%*
Hong Kong stock	**161.5**	**84.9**	120.8	85.8
Non-Hong Kong stock	**10.8**	**5.7**	4.6	3.2
Bonds	**7.4**	**3.9**	7.0	5.0
Others	**10.6**	**5.5**	8.4	6.0
	190.3	**100.0**	140.8	100.0

Our margin financing business includes offering collateralized financing relating to securities transactions to retail, corporate and high-net-worth customers.

For the Year under review, our margin client portfolio continued to expand. The year-end loan balance and monthly average loan balance increased compared with last year. Both the margin value and market value of collateral also increased. With improved quality and quantity in margin financing business, interest income from margin loans for the Year remained stable at HK$333.7 million as compared to HK$331.9 million for 2016.

The following table sets forth a summary of key operating and financial information of our margin financing business in Hong Kong for the years indicated below:

	2017	2016
Number of margin accounts	**6,657**	6,254
Balance of margin loans *(HK$' million)*	**6,416.8**	5,123.3
Monthly average balance	**4,994.0**	4,735.4
Highest month end balance	**6,416.8**	5,123.3
Lowest month end balance	**4,836.8**	4,285.3
Margin value *(HK$' million) (note 1)*	**5,146.9**	4,055.4
Market value *(HK$' million) (note 2)*	**20,047.4**	16,932.7

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.

We continue to adopt a prudent approach and closely monitor our margin loans and review margin loan (including the quality and value of collaterals) at regular intervals for impairment assessment. During the Year, we have made a provision of HK$19.8 million (2016: HK$8.3 million), including a HK$11.0 million full provision for a margin loan with a collateral stock suspended from trading.

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 comprehensive and integrated corporate finance and underwriting solutions to the PRC and Hong Kong clients, as well as international corporate clients. In respect of IPO sponsorship services, we primarily focus on clients which are 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 advisory services, debt and equity capital raising advisory services and compliance advisory services to listed companies in Hong Kong.

According to the latest statistics of the Stock Exchange, including transfer of listing from GEM to Main Board, there were 174 companies newly listed during the Year, representing an increase of 38.1% from 126 in 2016. Funds raised by IPOs dropped by 34.4% from HK$195.3 billion to HK$128.2 billion for the Year as the average deal size decreased to the lowest level in the past decade due to a lack of mega IPOs. Hong Kong ranked as the third largest globally in terms of funds raised as compared to the top IPO ranking in 2016. Nevertheless, the Hong Kong dollar debt market continued to expand, with total gross issuance grown by 9.3% to $3,335.3 billion.

For the Year under review, in respect of equity underwriting and placing services, we acted as global coordinator and/or bookrunner for 5 IPO projects, 3 of which we also acted as sponsor, and as placement agent for 1 equity placement project. In respect of debt capital market, we had completed 22 debt underwriting transactions for financial institutions, corporate and government authorities in Hong Kong, the PRC and overseas. Our commission and fee income from corporate finance and underwriting services was HK$154.1 million for the Year as compared to HK$216.5 million for 2016 as a result of reduction in average deal size in 2017.

During the Year, we have received a number of awards, including the Best Bond (the Group's sovereign bond issuance project for the countries under China's Belt and Road Initiative) of Triple A Country Awards for 2017 by the Asset.

Asset Management and Advisory

Our asset management and advisory services comprise mutual fund management, specialized asset management, private equity fund management and investment advisory. The Group operates its RMB private equity funds and provides investment advisory services in the PRC through BOCOM International (Shanghai) Equity Investment Management Company Limited.

During the Year, we managed one umbrella fund comprising three sub-funds. As at 31 December 2017, the total amount of assets under management (AUM) was approximately HK$27,137.9 million, representing an increase of approximately 96% from HK$13,843.3 million as at 31 December 2016. During the Year, asset management and advisory fee income was approximately HK$99.8 million which comprised of management fee income of HK$83.7 million (a decrease of approximately 22% from HK$107.4 million for 2016) and advisory fee income of HK$16.1 million.

Investment and Loans

Our investment and loans business comprises investment in various equity and debt securities as well as public and private funds on a proprietary basis, and structured financing and loans to enterprises to meet various financing needs.

We aim 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 telecommunications, media and technology ("**TMT**"), healthcare, high-end manufacturing and consumer goods. Investment decisions are made based on assessment of various 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) Equity Investment Management Company Limited and BOCOM International Equity Investment Management (Shenzhen) Company Limited.

During the Year, interest income from loans and advances was HK$36.0 million, representing an increase of approximately 3.7% as compared to HK$34.7 million for 2016. Proprietary trading income in 2017 was HK$361.1 million which representing a substantial increase of 112.5% as compared to 2016.

The table below sets forth our investment position by asset type for our equity and fixed income investment business for the years indicated below:

	2017		2016	
	HK$' million	*%*	*HK$' million*	*%*
Fixed income securities	**5,241.0**	**72.0**	3,453.8	91.4
Bonds	**3,119.2**	**42.9**	2,021.4	53.5
Preference shares	**2,062.3**	**28.3**	1,381.3	36.5
REIT(s)	**59.5**	**0.8**	51.1	1.4
Equity investments	**1.6**	**0.0**	127.7	3.4
Funds	**2,036.8**	**28.0**	195.3	5.2

Research

Our research team has built a solid track record in comprehensive analyses of global financial markets, sector and company-specific fundamentals, gaining a high level of reputation among institutional investors in Hong Kong, China and overseas markets. Our research team not only provides extensive professional services to fund managers and institutional investors, but also introduces potential investors to clients enabling the Group to gain greater market awareness and enhance corporate image. As of 31 December 2017, our research team was composed of more than 40 strategy and industry analysts and professional staff in Hong Kong, Beijing and Shanghai covering around 150 listed companies across various sectors, including banking, non-bank financial, real estate, gaming, leisure, internet, technology, consumer staples, consumer discretionary, automobile, transportation, industrials, infrastructure, renewable energy, environmental and healthcare.

In 2017, our research team issued a total of 1,528 research reports in both Chinese and English. Meanwhile, our research team actively provided roadshow services for clients and organized surveys, studies as well as management conferences. Besides, we organized the 2017 Second Half-year and the 2018 Equity Outlook Press Conference in Hong Kong, Beijing and Shanghai to analyze the global and China macro environment, market trends, investment strategies as well as sector developments. In the conference, our research team also made investment recommendations on key stocks and conducted in-depth interactions with domestic and international mainstream financial media.

Our research team continued to win awards from prominent international institutions and won 18 awards including the No. 1 Best Hong Kong Strategist and the No. 1 Best Hong Kong Economist for 2017 by Asiamoney.

Financial Review

Revenue and profit for the year

The Group's revenue for the Year was approximately HK$1,174.9 million, representing an increase of approximately 14.8% over HK$1,023.2 million for the year ended 31 December 2016.

The following table sets out the breakdown of the revenue by segment for the year ended 31 December 2017 and 2016 respectively:

	Year ended 31 December			
	2017		2016	
	HK$'million	*%*	*HK$'million*	*%*
Brokerage	**190.3**	**16.2**	140.8	13.8
Corporate finance and underwriting	**154.1**	**13.1**	216.5	21.2
Asset management and advisory	**99.8**	**8.5**	129.4	12.6
Margin financing	**333.7**	**28.4**	331.9	32.4
Investment and loans	**397.0**	**33.8**	204.6	20.0
Total	**1,174.9**	**100**	1,023.2	100

The Group's profit for the Year was approximately HK$403.5 million, representing an increase of approximately 15% over HK$350.9 million for 2016.

Liquidity, Financial Resources and Gearing Ratio

The Group's cash and bank balances as at 31 December 2017 increased by HK$1,366.2 million to HK$1,870.3 million (31 December 2016: HK$504.1 million).

The Group's net current assets decreased by HK$715.0 million to approximately HK$1,278.5 million as at 31 December 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 1.1 times as at 31 December 2017 (31 December 2016: 1.4 times).

As at 31 December 2017, the Group had borrowings of HK$10,068.2 million (31 December 2016: HK$4,848.0 million) while the subordinated loans from the ultimate holding company amounted to HK$1,000.0 million (31 December 2016: HK$1,000.0 million).

As at 31 December 2017, the Group's gearing ratio was 174.0% (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.

Contingent Liabilities

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 MOP500,000 thousand. 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 MOP500,000 thousand, which will expire in November 2021. During the years ended 31 December 2017 and 2016, the average yield of the relevant investment portfolios had been above the guaranteed return.

Material Acquisitions, Disposals and Significant Investments

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

Charges on Group Assets

As at 31 December 2017, preference shares with market value of HK$430.4 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).

Capital Commitments

As at 31 December 2017, the Group had no significant capital commitment.

OUTLOOK

With global economic growth in 2017 admittedly being the fastest since 2011 and expected to continue in 2018, mainland China will play a major role in the global economic development. Looking forward, given Hong Kong's close relations with mainland China, it will benefit from mainland China's robust economic growth, especially for the financial markets, the increasing cross-border financial and fund-raising activities of the mainland China enterprises will further strengthen Hong Kong's position in global IPO market.

Being the international flagship of the BOCOM Group, the Group will be committed to creating a large and vibrant international financial service platform. We shall follow the strategies of the nation's "Belt and Road" and "Greater Bay Area" development policies and seize available opportunities arising from the amendments to the Listing Rules and internet finance. Relying on the economic development in China and the prosperous Hong Kong capital market, we 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 increase the market share of our principal businesses. We also aim to further develop a suite of "capital-based" businesses and mergers and acquisitions ("**M&A**") advisory business that will be complementary to our principal business lines. In this year, we are committed to further promoting the upgrade of infrastructure in terms of financial technology and improving our operation, with greater effort on our self-inspiring and prudent internal control, a more progressive and proactive approach as well as a more efficient and well-coordinated team to assist mainland corporates to expand and prosper. At the same time, we also offer a vast range of capital market services and products, aiming to become a comprehensive securities and financial services institution with sustainable development capabilities that provide integrated financial services to meet the needs of global customers, as well as striving to create values for clients and Shareholders.

FINAL DIVIDEND

The Directors recommended the payment of a final dividend of HK$0.08 per Share to Shareholders whose names appear on the register of members of the Company on 25 June 2018. Subject to the approval of the Shareholders at the annual general meeting of the Company, the proposed final dividend is expected to be paid on or about 5 July 2018.

CLOSURE OF REGISTER OF MEMBERS FOR ENTITLEMENT OF FINAL DIVIDEND

The register of members of the Company will be closed on 25 June 2018, for the purpose of determining the entitlements of the Shareholders to the proposed final dividend during which period no transfer of the Shares may be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar and transfer office, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 22 June 2018. Shares of the Company will be traded ex-dividend as from 21 June 2018.

SHARE CAPITAL

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 the 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 year ended 31 December 2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to maintaining a good standard of corporate governance practices within the Group. During the Listing Date to 31 December 2017, the Company has complied with the code provisions set out in the Corporate Governance Code (whenever applicable), except the deviation from Code Provision A.2.1 of the Corporate Governance Code.

Mr. TAN Yueheng, the Chairman of the Company, also assumes the responsibilities of the Chief Executive of the Company. Code Provision A.2.1 of the Corporate Governance Code states that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Mr. TAN has assumed the responsibilities of the 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 MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors confirmed that they complied with the Model Code during the period from the Listing Date to 31 December 2017 in response to specific enquiry made by the Company.

REVIEW OF ANNUAL 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 consolidated financial results of the Group for the year ended 31 December 2017.

The Audit and Risk Management Committee comprises of two Independent Non-executive Directors, Mr. LIN Zhijun and Mr. TSE Yung Hoi and a Non-executive Director, Ms. LIN Zhihong.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the consolidated statement of financial position, consolidated income statement and consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2017 of the Group as set out in the preliminary announcement have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.bocomgroup.com). The 2017 annual report containing all the information required by the Listing Rules will be despatched to Shareholders and available on the above websites in due course.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 15 June 2018. The notice of annual general meeting and a circular to Shareholders, which sets out details of the business to be conducted at the annual general meeting, will be sent out together with the 2017 annual report.

CLOSURE OF REGISTER OF MEMBERS FOR ENTITLEMENT TO ATTEND AND VOTE AT ANNUAL GENERAL MEETING

The register of members of the Company will be closed from 12 June 2018 to 15 June 2018 (both dates inclusive), for the purpose of determining the entitlements of the Shareholders to attend and vote at the forthcoming annual general meeting, during which period no transfer of Shares will be registered. In order to qualify to attend and vote at the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar and transfer office, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 11 June 2018.

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
"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, on which the Shares are 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

"PRC"	People's Republic of China
"Reporting Period" or "Year"	the year ended 31 December 2017
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary share(s) in the capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"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, 27 March 2018

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.