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 2019

The Board is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2019, together with the comparative figures for the corresponding period in 2018.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended	
		30/6/2019	30/6/2018
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*5*	**710,630**	694,554
Other income	*5*	**64,593**	39,799
Revenue and other income		**775,223**	734,353
Commission and brokerage expenses		**(20,074)**	(34,383)
Finance costs	*7*	**(164,997)**	(165,276)
Staff costs	*7*	**(185,581)**	(138,967)
Depreciation	*7*	**(38,928)**	(4,110)
Other operating expenses		**(91,087)**	(161,270)
Change in impairment allowance	*6*	**(7,993)**	(3,909)
Total expenses		**(508,660)**	(507,915)
Operating profit		**266,563**	226,438
Share of results of associates		**17,682**	(448)
Share of results of joint ventures		**23**	22
Gain on disposal of an associate		**–**	15,380
Profit before taxation	*7*	**284,268**	241,392
Income tax expense	*8*	**(30,011)**	(5,978)
Profit for the period		**254,257**	235,414

	Notes	Six months ended **30/6/2019** **(Unaudited)** ***HK$'000***	 30/6/2018 (Unaudited) *HK$'000*
Attributable to:			
Shareholders of the Company		**253,891**	231,863
Non-controlling interests		**366**	3,551
		254,257	235,414
Earnings per share attributable to shareholders of the Company for the period			
— Basic/Diluted (in HKD per share)	*10*	**0.09**	0.08

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	30/6/2019	30/6/2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the period	**254,257**	235,414
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss		
Changes in fair value of debt investments at fair value through other comprehensive income	**72,523**	(88,807)
Amounts reclassified to profit or loss upon disposal of debt investments at fair value through other comprehensive income	**–**	1,246
	72,523	(87,561)
Exchange differences on translation of foreign operations	**(6,056)**	–
	66,467	(87,561)
Items that will not be reclassified subsequently to profit or loss		
Changes in fair value of equity investments at fair value through other comprehensive income	**25,276**	(39,908)
Other comprehensive income/(loss), net of tax	**91,743**	(127,469)
Total comprehensive income	**346,000**	107,945
Attributable to:		
Shareholders of the Company	**345,918**	104,394
Non-controlling interests	**82**	3,551
	346,000	107,945

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30/6/2019 (Unaudited) *HK$'000***	31/12/2018 (Audited) *HK$'000*
Assets			
Non-current Assets			
Property and equipment		**30,886**	32,129
Right-of-use assets		**106,539**	–
Intangible assets		**3,196**	3,196
Interest in associates		**298,019**	212,553
Interest in joint ventures		**2,934**	2,915
Other assets		**26,537**	22,867
Financial assets at fair value through other comprehensive income		**3,817,526**	2,503,218
Loans and advances	*11*	**349,939**	156,136
Receivable from reverse repurchase agreements		**442,620**	437,511
Deferred tax assets		**23,077**	18,685
Total non-current assets		**5,101,273**	3,389,210
Current Assets			
Loans and advances	*11*	**315,906**	1,269,215
Tax recoverable		**10,987**	10,987
Accounts receivable	*12*	**886,799**	641,190
Other receivables and prepayments	*13*	**1,336,607**	300,999
Margin loans to customers	*14*	**3,341,851**	3,918,371
Receivable from reverse repurchase agreements		**237,047**	187,670
Amounts due from related parties		**2,670**	3,242
Amount due from a fellow subsidiary		**28**	–
Financial assets at fair value through profit or loss		**5,543,369**	4,141,644
Derivative financial assets		**909**	5,306
Cash and bank balances		**879,946**	594,005
Total current assets		**12,556,119**	11,072,629
Total assets		**17,657,392**	14,461,839
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital		**3,942,216**	3,942,216
Retained earnings		**2,550,760**	2,520,038
Revaluation reserve		**(72,909)**	(170,708)
Foreign currency translation reserve		**(23,244)**	(17,472)
Total equity attributable to shareholders of the Company		**6,396,823**	6,274,074
Non-controlling interests		**33,221**	134
Total equity		**6,430,044**	6,274,208

	Notes	**30/6/2019 (Unaudited) *HK$'000***	31/12/2018 (Audited) *HK$'000*
Liabilities			
Non-current Liabilities			
Borrowings		**4,974,940**	4,988,200
Subordinated loans from the ultimate holding company		**1,000,000**	1,000,000
Obligation under repurchase agreements		**487,864**	478,146
Lease liabilities		**48,830**	–
Total non-current liabilities		**6,511,634**	6,466,346
Current Liabilities			
Borrowings		**2,227,762**	763,630
Obligation under repurchase agreements		**646,107**	193,936
Tax payable		**32,438**	36,026
Provision for staff costs		**59,209**	78,516
Other payables and accrued expenses		**714,655**	94,367
Accounts payable	*15*	**694,802**	496,605
Dividend payable	*9*	**218,751**	–
Contract liabilities		**25,360**	18,128
Lease liabilities		**61,499**	–
Amount due to the ultimate holding company		**3,265**	3,745
Amount due to a fellow subsidiary		**–**	83
Financial liabilities at fair value through profit or loss		**31,117**	30,960
Derivative financial liabilities		**749**	5,289
Total current liabilities		**4,715,714**	1,721,285
Total liabilities		**11,227,348**	8,187,631
Total equity and liabilities		**17,657,392**	14,461,839
Net current assets		**7,840,405**	9,351,344
Total assets less current liabilities		**12,941,678**	12,740,554

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 and 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 year ended 31 December 2018, that is included in the condensed consolidated interim report for the six months ended 30 June 2019 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 2018 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 section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2018, 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 HKFRS 16 Leases.

The Hong Kong Institute of Certified Public Accountants has issued a new HKFRS, HKFRS 16 Leases, and a number of amendments to HKFRSs that are first effective for the current accounting reporting period of the Group. The Group had to change its accounting policies and make retrospective adjustments as a result of adopting HKFRS 16.

The impact of the adoption is disclosed in Note 3 below. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. CHANGES IN ACCOUNTING POLICIES

The Group has adopted HKFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.4%. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	150,247
Discounted using the lessee's incremental borrowing rate at the date of initial application	(7,031)
Less: short-term lease recognised on a straight-line basis as expenses	(26)
Lease liabilities recognised as at 1 January 2019	143,190
Current lease liabilities	65,983
Non-current lease liabilities	77,207
	143,190

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	As at	
	30/6/2019	1/1/2019
	HK$'000	*HK$'000*
Properties	**106,450**	139,706
Car parks	**89**	163
Total right-of-use assets	**106,539**	139,869

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 January 2019:

	HK$'000
Increase in right-of-use assets	139,869
Decrease in other receivables and prepayments	(1,097)
Increase in lease liabilities	(143,190)

The net impact on retained earnings on 1 January 2019 was a decrease of HK$4,418,000.

4. 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 customers.

(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 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 2019 (Unaudited)							
	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								
Revenue								
Commission and fee income								
— External	**64,324**	**60,707**	**57,243**	–	–	–	–	**182,274**
— Internal	**203**	–	**1,864**	–	–	–	**(2,067)**	–
Interest income								
— External	–	–	–	**121,775**	**67,507**	–	–	**189,282**
— Internal	–	–	–	–	**26,072**	–	**(26,072)**	–
Proprietary trading income								
— External	–	–	–	–	**339,074**	–	–	**339,074**
— Internal	–	–	–	–	–	–	–	–
Other income	**10,427**	–	**160**	–	**7,473**	**46,533**	–	**64,593**
	74,954	**60,707**	**59,267**	**121,775**	**440,126**	**46,533**	**(28,139)**	**775,223**
Total expenses	**(95,634)**	**(76,156)**	**(58,434)**	**(67,761)**	**(238,814)**	–	**28,139**	**(508,660)**
Share of results of associates	–	–	–	–	**17,682**	–	–	**17,682**
Share of results of joint ventures	–	–	–	–	**23**	–	–	**23**
(Loss)/profit before taxation	**(20,680)**	**(15,449)**	**833**	**54,014**	**219,017**	**46,533**	–	**284,268**
Other disclosures								
Depreciation	**(15,514)**	**(2,835)**	**(5,299)**	**(5,879)**	**(9,401)**	–	–	**(38,928)**
Change in impairment allowance	–	**(7)**	–	**2,188**	**(10,174)**	–	–	**(7,993)**
Finance costs	–	–	**(155)**	**(39,364)**	**(151,550)**	–	**26,072**	**(164,997)**

	Six months ended 30 June 2018 (Unaudited)							
	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	105,963	22,784	49,056	–	–	–	–	177,803
— Internal	–	–	3,638	–	–	–	(3,638)	–
Interest income								
— External	–	–	–	218,161	43,684	–	–	261,845
— Internal	–	–	–	–	13,128	–	(13,128)	–
Proprietary trading income								
— External	–	–	–	–	254,906	–	–	254,906
— Internal	–	–	–	–	–	–	–	–
Other income	9,795	–	3	–	14,511	15,490	–	39,799
	115,758	22,784	52,697	218,161	326,229	15,490	(16,766)	734,353
Total expenses	(108,728)	(74,021)	(98,118)	(104,424)	(139,390)	–	16,766	(507,915)
Share of results of associates	–	–	–	–	(448)	–	–	(448)
Share of results of joint ventures	–	–	–	–	22	–	–	22
Gain on disposal of an associate	–	–	–	–	15,380	–	–	15,380
Profit/(loss) before taxation	7,030	(51,237)	(45,421)	113,737	201,793	15,490	–	241,392
Other disclosures								
Depreciation	(917)	(55)	(699)	(2,407)	(32)	–	–	(4,110)
Change in impairment allowance	–	(3,749)	–	(4,310)	4,150	–	–	(3,909)
Finance costs	–	–	–	(51,227)	(127,177)	–	13,128	(165,276)

	Six months ended	
	30/6/2019	30/6/2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue from external customer by location of operations:		
— Hong Kong	**676,158**	687,423
— Mainland China	**34,472**	7,131
	710,630	694,554

5. REVENUE AND OTHER INCOME

	Six months ended	
	30/6/2019	30/6/2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
REVENUE		
COMMISSION AND FEE INCOME		
Brokerage commission	**64,324**	105,963
Corporate finance and underwriting fee	**60,707**	22,784
Asset management and advisory income	**57,243**	49,056
	182,274	177,803
INTEREST INCOME		
Interest income from margin financing	**121,775**	218,161
Interest income from loans and advances	**46,742**	43,684
Interest income from receivable from reverse repurchase agreements	**20,765**	–
	189,282	261,845
PROPRIETARY TRADING INCOME		
Unrealised gain on financial assets	**121,442**	125,616
Realised gain/(loss) on financial assets at fair value through profit or loss	**54,115**	(13,855)
Realised loss on debt investments at fair value through other comprehensive income	**–**	(1,246)
Realised gain on derivative financial assets	**258**	190
Fair value changes from financial liabilities at fair value through profit or loss	**(2,324)**	2,487
Dividend income from		
— Financial assets at fair value through profit or loss	**22,526**	36,207
— Financial assets at fair value through other comprehensive income	**10,688**	2,370
Interest income from		
— Financial assets at fair value through profit or loss	**67,689**	34,719
— Financial assets at fair value through other comprehensive income	**64,680**	68,418
	339,074	254,906
	710,630	694,554

	Six months ended	
	30/6/2019	30/6/2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
OTHER INCOME		
Handling fees	**10,373**	9,798
Other interest income	**23,853**	13,752
Exchange gains	**21,945**	–
Others	**8,422**	16,249
	64,593	39,799

6. CHANGE IN IMPAIRMENT ALLOWANCE

	Six months ended	
	30/6/2019	30/6/2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Change in impairment allowance on:		
Receivable from reverse repurchase agreements	**(12)**	–
Accounts receivable	**36**	3,730
Margin loans to customers	**(2,188)**	4,310
Loans and advances	**(1,303)**	(3,028)
Debt investments carried at FVOCI	**10,976**	(1,055)
Other receivables	**484**	(47)
Amounts due from related parties	**–**	(1)
	7,993	3,909

7. PROFIT BEFORE TAXATION

	Six months ended	
	30/6/2019	30/6/2018
	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	**14,539**	12,649
— Interest expenses on bank loans from the ultimate holding company	**12,930**	33,021
— Interest expenses on bank loans and overdraft from other financial institutions	**102,847**	94,095
— Interest expenses on a total return swap arrangement with external third parties	**–**	25,487
— Interest expenses on obligation under repurchase agreements	**21,492**	–
— Interest expenses on lease liabilities	**2,145**	–
— Others	**116**	24
	154,069	165,276
— Other borrowing costs to the ultimate holding company	**744**	–
— Other borrowing costs to other financial institutions	**10,184**	–
	164,997	165,276
Depreciation	**38,928**	4,110
Loss on disposal of property and equipment	**–**	792
Operating lease charges	**1,390**	29,392
Staff costs	**185,581**	138,967
Guarantee fee	**–**	33,793

8. INCOME TAX EXPENSE

	Six months ended	
	30/6/2019	30/6/2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong Profits Tax	**29,017**	11,058
PRC Enterprise Income Tax	**5,204**	117
Under provision in prior periods	**298**	–
Total current tax	**34,519**	11,175
Deferred tax:		
Reversal from temporary difference	**(4,508)**	(5,197)
Income tax expense recognised in profit or loss	**30,011**	5,978

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%.

9. DIVIDENDS

Dividends approved during the interim period

	Six months ended	
	30/6/2019	30/6/2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Final dividend for previous financial year declared and approved of HK$0.08 per ordinary share (2018: HK$0.08 per ordinary share)	**218,751**	218,751

Dividends attributable to the interim period

No dividend was paid or declared by the Company for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

10. 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	
	30/6/2019	30/6/2018
	(Unaudited)	(Unaudited)
Profit attributable to shareholders of the Company (HK$'000)	**253,891**	231,863
Weighted average number of ordinary shares in issue (in '000 shares)	**2,734,392**	2,734,392
Earnings per share (in HKD per share)	**0.09**	0.08

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

11. LOANS AND ADVANCES

	30/6/2019	31/12/2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Gross loans and advances	**937,774**	1,698,583
Less: impairment allowance	**(271,929)**	(273,232)
	665,845	1,425,351
Net loans and advances		
Non-current portion	**349,939**	156,136
Current portion	**315,906**	1,269,215
	665,845	1,425,351

There was no past due but not impaired loans and advances as at 30 June 2019 and 31 December 2018.

12. ACCOUNTS RECEIVABLE

	30/6/2019	31/12/2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Corporate finance and underwriting business	**34,303**	16,819
Dealing in securities and futures business		
— Clients	**513,623**	386,917
— Brokers	**117,019**	126,584
— Clearing house	**223,595**	112,575
	854,237	626,076
Less: impairment allowance	**(1,741)**	(1,705)
	886,799	641,190

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

	30/6/2019	31/12/2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Neither past due nor credit-impaired	**875,742**	640,610
Less than 31 days past due	**4,003**	122
31–60 days past due	**141**	66
61–90 days past due	**117**	5
Over 90 days past due	**8,537**	2,092
	12,798	2,285
Less: impairment allowance	**(1,741)**	(1,705)
	886,799	641,190

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.

The receivable from brokers are neither past due nor credit-impaired.

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.

13. OTHER RECEIVABLES AND PREPAYMENTS

	30/6/2019	31/12/2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Other receivables	**1,274,197**	235,237
Less: impairment allowance	**(742)**	(258)
	1,273,455	234,979
Prepayments	**63,152**	66,020
	1,336,607	300,999

14. MARGIN LOANS TO CUSTOMERS

	30/6/2019	31/12/2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Gross margin loans to customers	**3,430,334**	4,009,042
Less: impairment allowance	**(88,483)**	(90,671)
	3,341,851	3,918,371

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:

	30/6/2019	31/12/2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Clients — trade settlement	**495,828**	322,961
Clearing house	**6,961**	44,765
Brokers	**192,013**	128,879
	694,802	496,605

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

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 fulfill various investment and wealth management needs of clients. During the Reporting Period, the Group's revenue and other income was HK$775.2 million, representing an increase of 5.6% when compared with HK$734.4 million for the same period last year. The Group's profit was HK$254.3 million, representing an increase of 8.0% when compared with HK$235.4 million for the same period last year.

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 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 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.

Development in information technology, tightening in regulations, increasing competition and new entrants squeezed the fees to a minimum and have led to the transformation of brokerage business. Amid the revolutionary changes in the traditional brokerage business model, we had to explore new breakthroughs and directions to cope with the challenges.

During the Reporting Period, we continued to strengthen our groundwork via the launch of a two-factor authentication application, deployment of artificial intelligence system in our client services and continuous improvement in our online trading platform. Acknowledging the importance of digital transformation and Big Data, we have formulated and launched the 3-Year IT Application System and the Infrastructure Strategic Plan in order to maximise the use of our existing resources and create new business opportunities.

In addition to hardware improvement, we also built up wealth management teams to provide comprehensive advisory services to meet the investment needs of high-net-worth clients with diversified product coverage, including but not limited to exchange-traded products. Supplemented with the power of technology, we perseverely strived to improve client experience across the value chain, including client account opening, customisation of investment advice, research report distribution, middle and back office processes and completion of the deal. We were awarded the "Wealth Management Best Customer Satisfaction Award" initiated by Phoenix.com on 9 January 2019 as a recognition of achieving the transformation to wealth management.

Foreseeing the market volatility and the liquidity risk caused by unexpected capital flows, we have adopted a wide array of measures to improve our margin financing risk management in terms of client screening and stock collateral assessment. For instance, we adopted a flexible interest rate policy to attract high quality clients by offering preferential interest rates and excluding small market capitalisation and illiquid stocks in our margin list.

During the Reporting Period, our commission and fee income from the securities brokerage business was HK$64.3 million, decreased by HK$41.7 million or 39.3% as compared with the corresponding period of 2018.

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			
	2019		2018	
	HK$'million	*%*	*HK$'million*	*%*
Hong Kong stock	**48.7**	**75.7**	86.4	81.5
Non-Hong Kong stock	**4.2**	**6.5**	6.1	5.8
Bonds	**4.1**	**6.4**	5.1	4.8
Others	**7.3**	**11.4**	8.4	7.9
	64.3	**100.0**	106.0	100.0

Our margin financing business includes offering collateralised financing relating to securities transactions to both retail and institutional customers.

In response to the credit risk caused by price surges of small stock and regulatory changes in margin financing business, we have adopted a systematic approach to deal with stock concentration and client concentration issues and the result was remarkable, although short-term negative impact is expected from margin financing business.

During the Reporting Period, the number of our margin client accounts continued to grow. The monthly average loan balance decreased. Interest income from margin loans for the six months ended 30 June 2019 was HK$121.8 million, decreased by HK$96.4 million or 44.2% as compared to the corresponding period in 2018.

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

	30/6/2019	31/12/2018
Number of margin accounts	**8,106**	7,961
Balance of gross margin loans *(HK$'million)*	**3,430.3**	4,009.0
Monthly average balance *(HK$'million)*	**3,673.1**	5,950.6
Highest month end balance *(HK$'million)*	**3,814.3**	6,640.8
Lowest month end balance *(HK$'million)*	**3,430.3**	4,009.0
Margin value *(HK$'million) (Note 1)*	**3,595.4**	3,871.0
Market value *(HK$'million) (Note 2)*	**14,933.4**	17,349.0

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 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, debt securities underwriting, mergers and acquisitions, pre-IPO financing, and financial advisory.

In the first half of 2019, there were a total of 84 new listings in Hong Kong, including the transfer of listing from GEM to Main Board. The number of new listings has decreased by 22.22% as compared with the corresponding period in 2018. The aggregate amount of funds raised through IPOs was HK$71.8 billion, increased by 39% as compared with the corresponding period in 2018. After the launch of new listing regime, emerging and innovative companies contributed significantly to the IPO market during the Reporting Period and the trend will continue for the second half of 2019.

Admitting that New Economy will play a dominant role in the fund-raising market, we have devoted more resources in building up execution teams specialising in TMT, healthcare and biotechnology industries in order to grasp the business opportunities of a new era. During the Reporting Period, we acted as a sponsor for three IPO projects, two of which as the sole sponsor and one as one of the joint sponsors. Furthermore, we acted as a global coordinator and/or book-runner for 11 IPO projects. In respect of debt capital market, we had completed 36 debt issuance projects, successfully assisted corporations in raising US$14.32 billion in aggregate.

For the six months ended 30 June 2019, our commission and fee income from corporate finance and underwriting services was HK$60.7 million, increased by HK$37.9 million or 166.4% as compared to HK$22.8 million in the corresponding period of 2018.

Asset Management and Advisory

We offer a full range of asset management products including both public and private funds, and discretionary managed accounts, as well as investment advisory services. 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.

Our core value is to provide comprehensive investment solutions and the best services to individual investors and institutional clients. In addition to traditional investments, we also offer alternative investments to investors. We have built up a cross-border asset management platform through our presence in Hong Kong, Shanghai and Shenzhen to grasp the distinct source of investment growth in the Mainland. With a focus on investing in artificial intelligence, new materials, bio-pharmaceuticals and next-generation information technology, we also provide integrated financial services to investors, including but not limited to the sourcing of investment, project structure, financing and tax arrangement across the value chain. Under our Shenzhen asset management platform, we launched a private fund with a focus on cloud technology in early 2019. Before the official launch of the new Science and Technology Innovation Board or "the STAR Market" by the Shanghai Stock Exchange, our wholly-owned subsidiary in Shanghai engaging in asset management and BOCOM Guo Xin Asset Management Company Limited formed a partnership enterprise in the name of BOCOM Science and Technology Innovation Equity Investment Fund. As at 30 June 2019, the investments under this newly set up fund covered cloud technology, database and bio-pharmaceutical industries, which will be key support of the STAR Market.

Diversified products are the building blocks of our asset management business. As at 30 June 2019, the total amount of AUM was approximately HK$26,350.9 million, representing an increase of approximately 6.2% from HK$24,810.9 million as at 31 December 2018. For the six months ended 30 June 2019, asset management and advisory fee income was approximately HK$57.2 million which comprised of management fee income of HK$29.6 million and advisory fee income of HK$27.6 million.

Investment and Loans

Our investment and loans business comprises of investments in equity and debt securities as well as public and private funds, and the provision of structured finance and corporate loans. We aim to achieve a balance between investment returns and tolerable risks.

For equity investments, we focus on the investment in companies which engage in innovative technology, biotechnology, healthcare and other new economies, and have formulated clear plans for public listings in Hong Kong, Mainland China or overseas. Some of these target investments are unicorn startup companies, with broad market recognition and strong growth potential.

Based on our investment objectives, we achieved an optimal allocation in fixed-income investments and structured financing business. Supported by high-quality underlying assets and tailor-made structures, we mitigated market risks and strengthened collateral controls.

The fixed income market was resilient in the first half of 2019 and the trend will persist in the second half of 2019. We benefited from the active bond trading via resources allocation. For the six months ended 30 June 2019, interest income from loans and advances and receivables from reverse repurchase agreements was HK$67.5 million, representing an increase of approximately 54.5% as compared to HK$43.7 million for the corresponding period in 2018. Proprietary trading income was HK$339.1 million, increased by HK$84.2 million or 33.0% as compared to HK$254.9 million for the corresponding period in 2018.

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

	30/6/2019		31/12/2018	
	HK$'million	*%*	*HK$'million*	*%*
Fixed income securities	**6,636.1**	**70.4**	3,699.5	57.0
Bonds	**4,316.9**	**45.8**	1,750.7	27.0
Preference shares	**2,263.8**	**24.0**	1,891.4	29.1
REIT(s)	**55.4**	**0.6**	57.4	0.9
Equity investments	**166.9**	**1.8**	159.2	2.4
Equity-linked loan	**438.8**	**4.6**	440.3	6.8
Funds	**2,190.0**	**23.2**	2,192.3	33.8

Research

Our research team has deep and solid understanding of the global financial markets and major industries, as well as a track record in comprehensive analyses of sector- and company-specific fundamentals. The team has earned high reputation among institutional investors in Hong Kong, Mainland China and the overseas markets. As at 30 June 2019, our research team comprised of around 40 strategy, industry analysts and professional staff in Hong Kong, Beijing and Shanghai, covering about 140 companies listed in Hong Kong, Mainland China and New York across various sectors.

In the first half of 2019, our research team further enhanced its research capacity through a series of upgrade and optimisation projects, which reinforced its leading position in the industry. The key enhancement projects include: the improvement of the quantity and quality of in-depth reports, the enhancement of research reports' timeliness and accuracy, the optimisation of the internal talent training system, the strengthening of business support to other departments, the reinforcement of collaboration with the media in Hong Kong and Mainland China, thereby promoting the overall image of the Company.

FINANCIAL REVIEW

Financial performance

For the six months ended 30 June 2019, the Group's total revenue and other income was approximately HK$775.2 million, representing an increase of approximately 5.6% over HK$734.4 million for the corresponding period in 2018.

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

	For the six months ended 30 June			
	2019		2018	
	HK$'million	***%***	*HK$'million*	*%*
Brokerage	**74.8**	**9.7**	115.8	15.8
Corporate finance and underwriting	**60.7**	**7.8**	22.8	3.1
Asset management and advisory	**57.4**	**7.4**	49.0	6.7
Margin financing	**121.8**	**15.7**	218.2	29.7
Investment and loans	**414.0**	**53.4**	313.1	42.6
Others	**46.5**	**6.0**	15.5	2.1
Total	**775.2**	**100.0**	734.4	100.0

The Group's profit for the six months ended 30 June 2019 was approximately HK$254.3 million, representing an increase of approximately 8.0% over HK$235.4 million for the corresponding period in 2018.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

The Group's cash and bank balances as at 30 June 2019 increased by HK$285.9 million to HK$879.9 million (31 December 2018: HK$594.0 million).

The Group's net current asset decreased by HK$1,510.9 million to approximately HK$7,840.4 million as at 30 June 2019 from HK$9,351.3 million as at 31 December 2018. The current ratio, being the ratio of current assets to current liabilities, was approximately 2.7 times as at 30 June 2019 (31 December 2018: 6.4 times).

As at 30 June 2019, the Group had borrowings of HK$8,336.7 million (31 December 2018: HK$6,423.9 million) while the subordinated loans from the ultimate holding company amounted to HK$1,000.0 million (31 December 2018: HK$1,000.0 million).

As at 30 June 2019, the Group's gearing ratio was 145.2% (31 December 2018: 118.3%), 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, associated companies 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 2019, there was no charge on Group assets (31 December 2018: Nil).

Capital Commitments

As at 30 June 2019, the Group had no significant capital commitment.

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 MOP500,000,000. The service agreement will expire in August 2020. In November 2016, the Group entered into another service agreement with the same client on similar terms for an additional investment principal of MOP500,000,000, which will expire in November 2021. In March 2018, the Group entered into another service agreement with the same client on similar terms for an additional investment principal of MOP2,000,000,000, which will expire in March 2023. 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, and the total annual guarantee on investment return from the portfolios is MOP75,000,000. During the year 2018, the average yield of the relevant investment portfolio had been below the guaranteed return and the Group has paid the client HK$840,000 equivalent of guarantee fee to fulfil the guarantee provided. During the six months ended 30 June 2019, the average yield of the relevant investment portfolios were above the guaranteed return. As such, no relevant contingent liability recognised for the period ended 30 June 2019.

Use of Proceeds

The net proceeds from the Listing in 2017 after deducting underwriting fees and commissions and expenses in connection with the Listing, were approximately HK$1,879.2 million. As at 30 June 2019, the Company utilised approximately 94.7% of the net proceeds for the purposes as set out in the section headed "Future Plans and Use of Proceeds – Use of proceeds" in the Prospectus. The unutilised amount is expected to be utilised within 4 years.

An analysis of the application/intended application and utilisation of the net proceeds from the Listing as at 30 June 2019 is set out below:

Application/Intended application	Net proceeds from the Listing *(HK$'million)*	Utilised amount as at 31/12/2018 *(HK$'million)*	Utilised amount during the Reporting Period *(HK$'million)*	Utilised amount as at 30/6/2019 *(HK$'million)*	Unutilised amount *(HK$'million)*
1. Expand margin financing business	845.7	845.7	–	845.7	–
2. Expand asset management and advisory business	281.9	281.9	–	281.9	–
3. Expand investment and loans business	187.9	187.9	–	187.9	–
4. Develop IT infrastructure and internal control systems	187.9	59.2	29.3	88.5	99.4
5. Attract and retain talent as well as optimising human resources structure	187.9	158.0	29.9	187.9	–
6. Working capital and general corporate purposes	187.9	187.9	–	187.9	–
Total	1,879.2	1,720.6	59.2	1,779.8	99.4

OUTLOOK

Global economic growth will decelerate, and financial market volatility will increase amid escalating trade tensions and heightened geo-political uncertainties. Sino-US Trade disputes intensified again. The United States will impose more tariffs on China, while China pledges countermeasures. The trade negotiations are deadlocked. The renminbi exchange rate plunged beyond 7 per US dollar for the first time since the financial crisis in 2008, triggering an earthquake on global capital markets. A no-deal Brexit becomes more likely after the UK's new prime minister takes office. As risk aversion prevails, risk assets will be under pressure and gold will continue to perform well.

The global market will resort to stronger measures and move to loosen monetary policies to deal with rising risks and uncertainties. US economic growth is set to slow, and stocks will encounter resistance. The Federal Reserve has initiated a precautionary rate cut cycle, and is expected to cut rates three times in the second half of 2019. The European Central Bank is likely to relaunch another round of quantitative easing. Looser monetary policies in the major economies will give emerging markets more room to adjust their monetary policies.

China's economic cycle is reviving. In the context of weak external demand, China's economy has been transforming into one driven by domestic demand. In the second half of 2019, the counter-cyclical adjustment is expected to strengthen further to support infrastructure investment. Tightening property measures are expected to continue, but the rapid growth in property construction will stabilise real estate investment. Domestic consumption will be a stronger growth driver. The Federal Reserve cuts interest rate and creates room for China's monetary policy while it is unlikely to be more accommodative unless the on-going trade disputes with the US deteriorate much further and worsen the economy.

The P/E of the Shanghai Composite index has fallen to the level seen during the 2008 financial crisis and in 2016 after the stock bubble in China burst. As such, the market has priced in the base case of the trade war. Earnings growth should continue to recover and help stocks bottom out. China will resort to stronger stimulus, should the external risks elevate.

Market risks have intensified in such a complicated external environment. The Group will continue to adhere to the strategy of "dealing changes with stability, making improvement with innovation", and further strengthen the cooperation among the risk management team and other business departments for balancing the risks and returns.

In China's economic transformation, the Group will seize a series of opportunities including structure adjustment, technology innovation and the Greater Bay Area. To reap reform dividend, the Group will innovate in developing financial products and expanding services on capital markets to enhance its competitiveness. The Group will take the path of high-quality development and pursue a balance between business quality and quantity. Meanwhile, we will optimise organisational structure, strengthen the coordinated development of the licensed and capital-based businesses, offer a range of products and services to cater for wealth management and financing needs for our domestic and foreign clients.

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 during the six months ended 30 June 2019.

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 2018 annual report. During the six months ended 30 June 2019, save as disclosed below, the Company has complied with all the code provisions set out in the Corporate Governance Code.

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 Yueheng, the Chairman of the Company, also assumes the responsibilities of Chief Executive of the Company. Mr. TAN has assumed the responsibilities of the Chief Executive since 2007. The Board believes that Mr. TAN is a suitable candidate to 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 the financial reporting matters including the review of the Company's interim report for the six months ended 30 June 2019.

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

No dividend was paid or declared by the Company for the six months ended 30 June 2019 (2018 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 2019 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:

"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 International (Shanghai)"	BOCOM International (Shanghai) Equity Investment Management Company Limited (交銀國際（上海）股權投資管理有限公司), a company incorporated in the PRC with limited liability on 25 October 2010 and a subsidiary of the Company
"BOCOM International (Shenzhen)"	BOCOM International Equity Investment Management (Shenzhen) Company Limited (交銀國際股權投資管理（深圳）有限公司), a company incorporated in the PRC with limited liability on 3 February 2016, a subsidiary of BOCOM International Asset Management Limited and an indirect subsidiary of the Company
"BOCOM Science and Technology Innovation Equity Investment Fund"	BOCOM Science and Technology Innovation Equity Investment Fund (Shanghai) Partnership Enterprise (Limited partnership) ("交銀科創股權投資基金（上海）合夥企業（有限合夥）")
"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
"Federal Reserve"	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

"IPO(s)"	initial public offering(s)
"Listing"	listing of the Shares on the Main Board of the Stock Exchange
"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)
"MOP"	Macau Pataca, the lawful currency of Macau
"PRC" or "China"	People's Republic of China
"Prospectus"	the prospectus of the Company dated 5 May 2017
"Reporting Period"	the six months ended 30 June 2019
"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
"TMT"	telecommunications, media and technology
"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 2019

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.