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# **BOCOM INTERNATIONAL HOLDINGS COMPANY LIMITED**

## **交銀國際控股有限公司**

*(incorporated in Hong Kong with limited liability)*

**(Stock Code: 3329)**

### **ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020**

The Board is pleased to announce the audited consolidated financial results of the Group for the year ended 31 December 2020 together with the comparative figures for the year ended 31 December 2019.

#### **CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020**

	<i>Notes</i>	<b>2020</b> <b>HK\$'000</b>	<b>2019</b> <b>HK\$'000</b>
Revenue			
Commission and fee income	4	<b>413,270</b>	364,401
Interest income	4	<b>675,079</b>	545,152
Proprietary trading income	4	<b>987,503</b>	507,454
		<b>2,075,852</b>	1,417,007
Other income	4	<b>118,943</b>	153,235
<b>Revenue and other income</b>		<b>2,194,795</b>	1,570,242
Commission and brokerage expenses		<b>(56,586)</b>	(36,613)
Finance costs	5	<b>(279,641)</b>	(355,598)
Staff costs	6	<b>(401,993)</b>	(374,378)
Depreciation		<b>(83,275)</b>	(78,059)
Other operating expenses		<b>(178,266)</b>	(171,329)
Change in impairment allowance	7	<b>(262,322)</b>	(49,236)
<b>Total expenses</b>		<b>(1,262,083)</b>	(1,065,213)

	<i>Notes</i>	<b>2020</b> <b><i>HK\$'000</i></b>	2019 <i>HK\$'000</i>
Operating profit		<b>932,712</b>	505,029
Share of results of associates		<b>(10,413)</b>	26,571
Share of results of joint ventures		<b>734</b>	(91)
<b>Profit before taxation</b>		<b>923,033</b>	531,509
Income tax expense	8	<b>(71,852)</b>	(30,870)
<b>Profit for the year</b>		<b>851,181</b>	500,639
<b>Attributable to:</b>			
Shareholders of the Company		<b>843,155</b>	500,567
Non-controlling interests		<b>8,026</b>	72
		<b>851,181</b>	500,639
<b>Earnings per share attributable to shareholders of the Company for the year – Basic/Diluted (in HKD per share)</b>	10	<b>0.31</b>	0.18

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR  
ENDED 31 DECEMBER 2020**

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Profit for the year</b>	<b>851,181</b>	500,639
<b>Other comprehensive income/(loss)</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Changes in fair value of debt investments at fair value through other comprehensive income	<b>97,152</b>	(39,249)
Amounts reclassified to profit or loss upon disposal of debt investments at fair value through other comprehensive income	<b>(22,473)</b>	43
	<b>74,679</b>	(39,206)
Exchange differences on translation of foreign operations	<b>97,901</b>	(8,805)
	<b>172,580</b>	(48,011)
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Changes in fair value of equity investments at fair value through other comprehensive income	<b>41,346</b>	24,157
<b>Other comprehensive income/(loss), net of tax</b>	<b>213,926</b>	(23,854)
<b>Total comprehensive income</b>	<b>1,065,107</b>	476,785
<b>Attributable to:</b>		
Shareholders of the Company	<b>1,025,092</b>	477,077
Non-controlling interests	<b>40,015</b>	(292)
	<b>1,065,107</b>	476,785

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020**

	<i>Notes</i>	<b>31/12/2020</b> <i>HK\$'000</i>	<b>31/12/2019</b> <i>HK\$'000</i>
<b>Assets</b>			
<b>Non-current Assets</b>			
Property and equipment		37,338	34,054
Right-of-use assets		111,830	73,623
Intangible assets		3,196	3,196
Interest in associates		211,159	393,964
Interest in joint ventures		124,320	33,274
Other assets		41,172	24,710
Financial assets at fair value through other comprehensive income		2,488,616	3,172,930
Loans and advances	11	1,095,098	1,509,172
Receivable from reverse repurchase agreements		–	224,987
Deferred tax assets		10,876	10,758
<b>Total non-current assets</b>		<b>4,123,605</b>	<b>5,480,668</b>
<b>Current Assets</b>			
Loans and advances	11	1,708,665	817,323
Tax recoverable		2,295	–
Accounts receivable	12	1,108,083	511,929
Other receivables and prepayments	13	446,139	346,462
Margin loans to customers	14	2,799,125	2,679,240
Receivable from reverse repurchase agreements		237,350	379,596
Amount due from a fellow subsidiary		5,857	–
Amount due from an associate		–	547
Amounts due from related parties		1,269	1,937
Financial assets at fair value through other comprehensive income		492,641	1,457,609
Financial assets at fair value through profit or loss		10,405,548	6,507,553
Derivative financial assets		24,367	2,224
Cash and bank balances		2,004,915	545,141
<b>Total current assets</b>		<b>19,236,254</b>	<b>13,249,561</b>
<b>Total assets</b>		<b>23,359,859</b>	<b>18,730,229</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to shareholders of the Company</b>			
Share capital		3,942,216	3,942,216
Retained earnings		3,419,833	2,778,837
Revaluation reserve		(95,069)	(167,158)
Foreign currency translation reserve		39,999	(25,913)
<b>Total equity attributable to shareholders of the Company</b>		<b>7,306,979</b>	<b>6,527,982</b>
Non-controlling interests		476,959	99,828
<b>Total equity</b>		<b>7,783,938</b>	<b>6,627,810</b>

	<i>Notes</i>	<b>31/12/2020</b> <b>HK\$'000</b>	<b>31/12/2019</b> <b>HK\$'000</b>
<b>Liabilities</b>			
<b>Non-current Liabilities</b>			
Borrowings		–	4,964,230
Subordinated loans from the ultimate holding company		<b>1,000,000</b>	1,000,000
Obligation under repurchase agreements		<b>313,835</b>	248,915
Lease liabilities		<b>56,438</b>	25,019
Deferred tax liabilities		<b>45,789</b>	–
<b>Total non-current liabilities</b>		<b>1,416,062</b>	6,238,164
<b>Current Liabilities</b>			
Borrowings		<b>8,633,885</b>	3,216,467
Obligation under repurchase agreements		<b>3,755,772</b>	1,222,714
Tax payable		<b>13,337</b>	11,388
Provision for staff costs		<b>176,850</b>	101,524
Other payables and accrued expenses		<b>128,621</b>	67,213
Accounts payable	15	<b>612,645</b>	405,443
Contract liabilities		<b>51,431</b>	55,479
Lease liabilities		<b>56,169</b>	51,700
Amount due to the ultimate holding company		<b>33,759</b>	5,459
Amount due to a fellow subsidiary		–	55
Financial liabilities at fair value through profit or loss		<b>663,255</b>	723,871
Derivative financial liabilities		<b>34,135</b>	2,942
<b>Total current liabilities</b>		<b>14,159,859</b>	5,864,255
<b>Total liabilities</b>		<b>15,575,921</b>	12,102,419
<b>Total equity and liabilities</b>		<b>23,359,859</b>	18,730,229
<b>Net current assets</b>		<b>5,076,395</b>	7,385,306
<b>Total assets less current liabilities</b>		<b>9,200,000</b>	12,865,974

# NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

## 1. GENERAL INFORMATION

BOCOM International Holdings Company Limited (the “**Company**”) is a company incorporated in Hong Kong. The address of its registered office is 9/F, Man Yee Building, 68 Des Voeux Road Central, Hong Kong.

The principal activity of the Company is investment holding. The Group is principally engaged in securities brokerage, margin financing, corporate finance and underwriting, investment and loans, asset management and advisory businesses. The regulated activities carried out by the Company’s licensed subsidiaries include dealing in securities and futures and advising on securities and futures contracts, providing securities margin financing, advising on corporate finance and providing asset management services.

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

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

The financial information relating to the years ended 31 December 2020 and 2019 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 2019 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 2020 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 section 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 2019, as described in those annual financial statements, except for the adoption of amendments to HKFRSs which became effective during the financial year ended 31 December 2020.

**(a) Amendments to HKFRSs adopted by the Group**

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants to these financial statements for current accounting period:

- Definition of Material – Amendments to HKAS 1 and HKAS 8
- Revised Conceptual Framework for Financial Reporting
- COVID-19 – Related Rent Concessions – Amendments to HKFRS 16
- Interest Rate Benchmark Reform — Amendments to HKFRS 9, HKAS 39 and HKFRS 7

Amendments to HKFRSs effective for the financial year ending 31 December 2020 do not have a material impact on the Group.

**(b) New standards, amendments and interpretations not yet adopted by the Group**

Certain new accounting standards, amendments and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not 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, investments in companies and investments 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 year ended 31 December 2020.

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 2020							
	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
<b>Total revenue</b>								
Revenue								
Commission and fee income								
• External	180,857	130,373	102,040	–	–	–	–	413,270
• Internal	434	–	6,787	–	–	–	(7,221)	–
Interest income								
• External	–	–	–	193,846	481,233	–	–	675,079
• Internal	–	–	–	–	47,111	–	(47,111)	–
Proprietary trading income								
• External	–	–	–	–	987,503	–	–	987,503
• Internal	–	–	–	–	–	–	–	–
Other income	16,934	–	4,393	–	32,846	64,770	–	118,943
	<u>198,225</u>	<u>130,373</u>	<u>113,220</u>	<u>193,846</u>	<u>1,548,693</u>	<u>64,770</u>	<u>(54,332)</u>	<u>2,194,795</u>
Total expenses	(197,354)	(134,080)	(116,153)	(154,007)	(714,821)	–	54,332	(1,262,083)
Share of results of associates	–	–	–	–	(10,413)	–	–	(10,413)
Share of results of joint ventures	–	–	–	–	734	–	–	734
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>734</u>	<u>–</u>	<u>–</u>	<u>734</u>
<b>Profit/(loss) before taxation</b>	<u>871</u>	<u>(3,707)</u>	<u>(2,933)</u>	<u>39,839</u>	<u>824,193</u>	<u>64,770</u>	<u>–</u>	<u>923,033</u>
<b>Other disclosures</b>								
Depreciation	(32,653)	(6,099)	(15,226)	(3,700)	(25,597)	–	–	(83,275)
Change in impairment allowance	182	(3,508)	–	(34,931)	(224,065)	–	–	(262,322)
Finance costs	(771)	(267)	(213)	(50,539)	(274,962)	–	47,111	(279,641)
	<u>(33,242)</u>	<u>(9,874)</u>	<u>(15,439)</u>	<u>(89,170)</u>	<u>(524,524)</u>	<u>–</u>	<u>47,111</u>	<u>(632,804)</u>



Year ended 31 December 2019

	Brokerage <i>HK\$'000</i>	Corporate finance and underwriting <i>HK\$'000</i>	Asset management and advisory <i>HK\$'000</i>	Margin financing <i>HK\$'000</i>	Investment and loans <i>HK\$'000</i>	Others <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Total revenue</b>								
Revenue								
Commission and fee income								
• External	118,396	120,083	125,922	–	–	–	–	364,401
• Internal	473	–	3,732	–	–	–	(4,205)	–
Interest income								
• External	–	–	–	228,648	316,504	–	–	545,152
• Internal	–	–	–	–	52,185	–	(52,185)	–
Proprietary trading income								
• External	–	–	–	–	507,454	–	–	507,454
• Internal	–	–	–	–	–	–	–	–
Other income	20,016	–	1,311	–	35,193	96,715	–	153,235
	<u>138,885</u>	<u>120,083</u>	<u>130,965</u>	<u>228,648</u>	<u>911,336</u>	<u>96,715</u>	<u>(56,390)</u>	<u>1,570,242</u>
Total expenses	(189,297)	(136,754)	(110,486)	(142,560)	(542,506)	–	56,390	(1,065,213)
Share of results of associates	–	–	–	–	26,571	–	–	26,571
Share of results of joint ventures	–	–	–	–	(91)	–	–	(91)
<b>(Loss)/profit before taxation</b>	<u>(50,412)</u>	<u>(16,671)</u>	<u>20,479</u>	<u>86,088</u>	<u>395,310</u>	<u>96,715</u>	<u>–</u>	<u>531,509</u>
<b>Other disclosures</b>								
Depreciation	(31,088)	(5,607)	(10,559)	(12,058)	(18,747)	–	–	(78,059)
Change in impairment allowance	(230)	(121)	–	(5,013)	(43,872)	–	–	(49,236)
Finance costs	(357)	(101)	(327)	(79,020)	(327,978)	–	52,185	(355,598)

The geographical information of revenue is disclosed as follows:

	<b>2020</b> <b><i>HK\$'000</i></b>	<b>2019</b> <b><i>HK\$'000</i></b>
Total revenue from external customers by location of operations		
– Hong Kong	<b>2,093,629</b>	1,493,972
– Mainland China	<b>101,166</b>	76,270
	<u><b>2,194,795</b></u>	<u>1,570,242</u>

#### 4. REVENUE AND OTHER INCOME

	2020 HK\$'000	2019 HK\$'000
<b>REVENUE</b>		
<b>COMMISSION AND FEE INCOME</b>		
Brokerage commission	180,857	118,396
Corporate finance and underwriting fee	130,373	120,083
Asset management and advisory income	102,040	125,922
	<u>413,270</u>	<u>364,401</u>
<b>INTEREST INCOME*</b>		
Interest income from margin financing	193,846	228,648
Interest income from loans and advances	187,386	92,722
Interest income from receivable from reverse repurchase agreements	31,618	41,072
Interest income from financial assets at fair value through other comprehensive income	262,229	182,710
	<u>675,079</u>	<u>545,152</u>
<b>PROPRIETARY TRADING INCOME*</b>		
Net trading and investment income		
– Net gain on financial assets at fair value through profit or loss**	942,569	448,578
– Net gain/(loss) on financial assets at fair value through other comprehensive income	11,793	(25,380)
– Net loss on financial liabilities at fair value through profit or loss	(37,514)	(21,814)
– Net loss on derivative financial instruments	(17,443)	(911)
– Fair value changes from financial liabilities to the investors of the funds consolidated	(5,080)	(3,130)
Dividend income from		
– Financial assets at fair value through profit or loss	52,119	37,788
– Financial assets at fair value through other comprehensive income	41,059	72,323
	<u>987,503</u>	<u>507,454</u>
	<u><u>2,075,852</u></u>	<u><u>1,417,007</u></u>

\* During the years ended 31 December 2020 and 2019, the Group has considered the disclosures of Interest income and Proprietary trading income with reference to the Group's business and the accounting standard requirements. Accordingly, the comparative figures have been re-presented. There was no impact on total revenue and the profit before taxation for the corresponding year.

\*\* The net gain on financial assets at fair value through profit and loss comprised of net trading gain (including the realised and unrealised amounts) and interest income with the amount HK\$665,174 thousand (2019: HK\$239,249 thousand) and HK\$277,395 thousand (2019: HK\$209,329 thousand) respectively.

During the years ended 31 December 2020 and 2019, there was no gain or loss arising from the derecognition of financial assets at amortised cost.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>OTHER INCOME</b>		
Handling fees	15,892	18,629
Bank and other interest income	28,279	47,170
Exchange gains	22,545	49,987
Others*	52,227	37,449
	<u>118,943</u>	<u>153,235</u>

\* Other income included HK\$13,517 thousand as the approved amount of wage subsidies under the Employment Support Scheme launched by the HKSAR Government on 12 May 2020 and a one-off subsidy of HK\$50 thousand from the subsidy scheme for the securities industry under the Government's Anti-epidemic Fund. There were no unfulfilled conditions or other contingencies attaching to the government grants. The Group did not benefit directly from any other forms of government assistance.

## 5. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest expenses on subordinated loans from the ultimate holding company	25,596	33,680
Interest expenses on bank loans from the ultimate holding company	22,817	19,816
Interest expenses on bank loans and overdraft from other financial institutions	162,917	227,135
Interest expenses on obligation under repurchase agreements	43,537	49,464
Interest expenses on lease liabilities	2,825	3,213
Others	176	126
	<u>257,868</u>	<u>333,434</u>
Other borrowing costs to the ultimate holding company	1,750	1,750
Other borrowing costs to other financial institutions	20,023	20,414
	<u>279,641</u>	<u>355,598</u>

## 6. STAFF COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Salaries, bonus, staff allowances	378,953	351,611
Directors' fees	1,080	1,080
Contributions to retirement benefit scheme	21,960	21,687
	<u>401,993</u>	<u>374,378</u>

## 7. CHANGE IN IMPAIRMENT ALLOWANCE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Receivable from reverse repurchase agreements	(6)	33
Accounts receivable	(3,326)	(351)
Margin loans to customers	(34,931)	(5,013)
Loans and advances	6,575	(5,495)
Debt investments at fair value through other comprehensive income	(219,777)	(37,655)
Other receivables	(10,860)	(752)
Amounts due from related parties	3	(3)
	<u>(262,322)</u>	<u>(49,236)</u>

## 8. INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax	22,927	18,545
PRC Enterprise Income Tax	9,500	15,030
Over provision in prior years	(6,921)	(10,336)
Total current tax	<u>25,506</u>	<u>23,239</u>
Deferred tax	<u>46,346</u>	<u>7,631</u>
Income tax expense recognised in profit or loss	<u>71,852</u>	<u>30,870</u>

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%.

During the year, the Group has evaluated the tax basis of subsidiaries in accordance to Departmental Interpretation and Practice Notes No. 42 (Revised) issued by the Inland Revenue Department, where applicable. Under this circumstance, only realised profit or loss is brought into account in ascertaining the current tax from financial instruments.

## 9. DIVIDENDS

	2020 HK\$'000	2019 HK\$'000
Final dividend proposed after the end of the reporting period of HK\$0.16 per ordinary share (2019: HK\$0.09 per ordinary share)	<u>437,503</u>	<u>246,095</u>

The final dividend proposed after the end of the reporting period has not been recognised 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.

	2020	2019
Profit attributable to shareholders of the Company (in HK\$'000)	843,155	500,567
Weighted average number of ordinary shares in issue (in '000 shares)	<u>2,734,392</u>	<u>2,734,392</u>
Earnings per share (in HKD per share)	<u>0.31</u>	<u>0.18</u>

### (b) Diluted

For the years ended 31 December 2020 and 2019, there were no potential diluted ordinary shares. The diluted earnings per share were the same as the basic earnings per share.

## 11. LOANS AND ADVANCES

	2020 HK\$'000	2019 HK\$'000
Gross loans and advances	2,804,945	2,334,252
Less: impairment allowance	<u>(1,182)</u>	<u>(7,757)</u>
	<u>2,803,763</u>	<u>2,326,495</u>
Net loans and advances:		
Non-current portion	1,095,098	1,509,172
Current portion	<u>1,708,665</u>	<u>817,323</u>
	<u>2,803,763</u>	<u>2,326,495</u>

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

There was no past due but not impaired loans and advances as at 31 December 2020 and 31 December 2019.

## 12. ACCOUNTS RECEIVABLE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Corporate finance and underwriting business	28,685	14,498
Dealing in securities and futures business		
– Clients	388,091	106,816
– Brokers	498,562	126,883
– Clearing house	196,186	265,788
	<u>1,082,839</u>	<u>499,487</u>
Less: impairment allowance	<u>(3,441)</u>	<u>(2,056)</u>
	<u><u>1,108,083</u></u>	<u><u>511,929</u></u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Neither past due nor credit-impaired	1,097,714	510,474
Less than 31 days past due	2,270	22
31 – 60 days past due	–	2
61 – 90 days past due	–	–
Over 90 days past due	11,540	3,487
	<u>13,810</u>	<u>3,511</u>
Less: impairment allowance	<u>(3,441)</u>	<u>(2,056)</u>
	<u><u>1,108,083</u></u>	<u><u>511,929</u></u>

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other receivables	430,666	296,109
Less: impairment allowance	(11,870)	(1,010)
	<u>418,796</u>	<u>295,099</u>
Prepayments	27,343	51,363
	<u>446,139</u>	<u>346,462</u>

### 14. MARGIN LOANS TO CUSTOMERS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Gross margin loans to customers	2,881,803	2,774,924
Less: impairment allowance	(82,678)	(95,684)
	<u>2,799,125</u>	<u>2,679,240</u>

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Margin loans to customers analysed by nature</b>		
Institutions	1,652,561	1,695,877
Individuals	<u>1,146,564</u>	<u>983,363</u>
	<u>2,799,125</u>	<u>2,679,240</u>

#### **Total market value of securities pledged as collateral in respect of margin loans to customers analysed by collateral**

Stocks	9,912,845	11,203,210
Debt securities	<u>359,220</u>	<u>360,298</u>
	<u>10,272,065</u>	<u>11,563,508</u>

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

## 15. ACCOUNTS PAYABLE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Clients – trade settlement	512,487	367,768
Clearing house	100,158	36,679
Brokers	–	996
	<u>612,645</u>	<u>405,443</u>

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

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



## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

As one of the earliest licensed securities firms with PRC background in Hong Kong, we are a large securities firm specialising in securities brokerage and margin financing, corporate finance and underwriting, investment and loans, asset management and advisory businesses. We believe that our core competitive strength is our ability to offer comprehensive and integrated financial services and products that fulfill various investment and wealth management needs of clients. During the Year, the Group's revenue and other income was HK\$2,194.8 million, representing an increase of 39.8% when compared with HK\$1,570.2 million in 2019. The Group's profit was HK\$851.2 million, representing an increase of 70.0% when compared with HK\$500.6 million in 2019.

### *Securities Brokerage and Margin Financing*

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

To rise to the challenges driven by digital finance, we keep accelerating digital transformation and have continuously devoted considerable resources to iteratively update our digital and intelligent services, including online global trading platform, data management, cyber security and market monitoring systems. For instance in wealth personalised management business, based on digitised report systems, we have further explored the personalised search and data display function in multi-dimensions to the frontline sales on a real-time basis and strived to improve customer management efficiency and achieve precise marketing.

As a company providing “bespoke” services in the market, our well-experienced wealth management team is dedicated to, on the one hand, providing tailor-made solutions to meet clients' needs, and, on the other hand, promoting popular financial products to grasp the market pulse for increasing customer activity and optimising customer, product and revenue structures. In 2020, based on our prediction of IPO market trends, we have aggressively expanded the IPO financing business, and the financing scale and the number of IPO orders both increased multiple times, and IPO commission income increased by more than 50%, on a YoY basis. Also, with the rapid expansion of IPO financing, we have successfully developed “Brokers' Broker” business with small and medium-sized brokerage firms, a cooperative growth model with leading brokerage firms designing and building a complete and comprehensive product platform and uniting and supporting peer companies to grow together. Through unceasingly exploring new

service and cooperation models such as “Brokers’ Broker”, “Stock-Bond Portfolio Financing”, interactive live webcast series, BOCOMI service apps and “Xingu Bao”, we are fostering our differentiated competitive advantage and creativity to provide customers with diversified premium cross-border wealth management services and products.

In 2020, our trading volume of Hong Kong stocks increased by around 60% as compared to last year, outperforming the market.

For the year ended 31 December 2020, our commission and fee income from the securities brokerage business was HK\$180.9 million, an increase of HK\$62.5 million or 52.8% as compared with 2019.

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

	Year ended 31 December			
	2020		2019	
	<i>HK\$'million</i>	<i>%</i>	<i>HK\$'million</i>	<i>%</i>
Hong Kong stocks	136.4	75.4	87.7	74.1
Non-Hong Kong stocks	21.4	11.8	7.7	6.5
Bonds	8.0	4.4	8.1	6.8
Others	15.1	8.4	14.9	12.6
	<u>180.9</u>	<u>100.0</u>	<u>118.4</u>	<u>100.0</u>

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

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

During 2020, the number of margin client accounts continued to grow. The monthly average loan balance decreased and interest income from margin loans for the year ended 31 December 2020 was HK\$193.8 million, a decrease of HK\$34.8 million or 15.2% as compared with 2019.

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

	2020	2019
Number of margin accounts	<b>8,969</b>	8,254
Balance of gross margin loans <i>(HK\$' million)</i>	<b>2,881.8</b>	2,774.9
Monthly average balance <i>(HK\$' million)</i>	<b>2,669.4</b>	3,421.9
Highest month end balance <i>(HK\$' million)</i>	<b>2,881.8</b>	3,814.3
Lowest month end balance <i>(HK\$' million)</i>	<b>2,434.4</b>	2,658.2
Margin value <i>(HK\$' million) (note 1)</i>	<b>3,475.6</b>	2,789.8
Market value <i>(HK\$' million) (note 2)</i>	<b>10,272.1</b>	11,563.5

*Notes:*

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

### ***Corporate Finance and Underwriting***

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

In 2020, there were a total of 154 new listings on the Stock Exchange (including the transfer of listing from GEM to Main Board). The number of new listings has decreased by 15.8% as compared with 2019. The aggregate amount of funds raised through IPOs was HK\$397.5 billion, an increase of 26.5% as compared with 2019.

In view 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 the technology, media and telecommunications, healthcare and biotechnology industries in order to capture the business opportunities of a new era. During the Year, we acted as a sponsor for 4 completed IPO projects and a global coordinator and/or bookrunner for 31 completed IPO projects. In respect of debt capital markets, we completed 63 debt issuance projects, and successfully assisted corporations in raising USD25.9 billion in aggregate.

For the year ended 31 December 2020, our commission and fee income from corporate finance and underwriting services was HK\$130.4 million, an increase of HK\$10.3 million or 8.6% as compared to HK\$120.1 million in 2019.

## *Asset Management and Advisory*

We offer a full range of asset management products including both public and private funds, and discretionary management 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 high-quality 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 sources of investment growth in Mainland China. With the improved investment and research capabilities, we seized the structural growth opportunities in capital markets. In 2020, the investment return of a mutual fund under our management ranked first among the 66 peers in Hong Kong market according to Bloomberg data.

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 investments, project structuring, full value chain financing and tax arrangements. BOCOM Science and Technology Innovation Equity Investment Fund, which was established under our Shanghai asset management platform, is the first bank-affiliated science and technology equity investment fund in China, with underlying investments aiming to be listed on the Science and Technology Innovation Board (the “**STAR Market**”). We serve as fund manager, leveraging on the resources of the BOCOM Group to provide high-quality technology and innovation companies with full-scale comprehensive financial services. As at 31 December 2020, BOCOM Science and Technology Innovation Equity Investment Fund has completed 14 equity investment projects, of which 4 are ready to be listed on the STAR Market in the near future. BOCOM Science and Technology Innovation Equity Investment Fund has almost completed its investment target, mainly distributed in the Yangtze River Delta region, focusing on the fields of biomedicine and information technology. To improve business influence, acting as fund manager, we set up Nanjing BOCOM Suyan & SOHO Equity Investment Partnership Enterprise (Limited Partnership)\* (南京交銀蘇鹽蘇豪股權投資合夥企業(有限合夥)) in Jiangsu, BOCOM Dingji Science and Technology Innovation Equity Investment Fund (Shenzhen) Partnership Enterprise (Limited Partnership)\* (交銀鼎吉科創股權投資基金(深圳)合夥企業(有限合夥)) in Guangdong, Qingdao BOCOM Haikong Science and Technology Innovation Equity Investment Partnership Enterprise (Limited Partnership)\* (青島交銀海控科創股權投資合夥企業(有限合夥)) in Shandong, Jiaying Hengsheng Equity Investment Fund Partnership (Limited Partnership)\* (嘉興恆昇股權投資基金合夥企業(有限合夥)) in Zhejiang, Dong Feng BOCOM Yuan Jing Auto Industry Equity Investment Fund (Wuhan) Partnership Enterprise (Limited Partnership)\* (東風交銀轅憬汽車產業股權投資基金(武漢)合夥企業(有限合夥)) in Hubei. In August 2020, BOCOM International (Shanghai) Science and Technology Investment Management Co., Ltd.\*

(交銀國際(上海)科創投資管理有限公司) was incorporated through BOCOM International (Shanghai), a subsidiary of the Group, so as to further our private equity fund business development in Mainland China.

In 2020, we established four new QFLP funds under our asset management platform in Mainland China, among which, Hainan BOCOM International Science and Technology Innovation Shengxing Equity Investment Partnership (Limited Partnership)\* (海南交銀國際科創盛興股權投資合夥企業(有限合夥)) became the first QFLP fund launched in Hainan Free Trade Port, opening up a new channel to facilitate cross-border investment and financing in Hainan. The Shenzhen asset management platform has preliminarily established the cross-border fund product layout featuring QFLP/QDIE funds, which further complements the Group's cross-border asset management platform for all asset classes.

Diversified products are the building blocks of our asset management business. As at 31 December 2020, the total amount of AUM was approximately HK\$27,687.8 million, representing an increase of 0.9% from HK\$27,437.4 million as at 31 December 2019. For the year ended 31 December 2020, asset management and advisory fee income decreased by HK\$23.9 million or 19.0% to HK\$102.0 million, which comprised of management fee income of HK\$65.7 million and advisory fee income of HK\$36.3 million.

### ***Investment and Loans***

Our investment and loans business comprise of private equity investment, structured financing and debt investments. We aim to achieve a balance between investment returns and tolerable risks.

For equity investments, we focus on investing in companies in the innovative technology, biotechnology, healthcare industries and other new economy industries that have 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. For structured financing, we focus on structured finance of cross-border quality asset and debt-equity hybrid investments in enterprises with high growth potential. For debt investments, we prefer short-to-medium duration products with good credit standing and remarkable offshore premium.

Based on our investment objectives, we strive to achieve an optimal allocation among equity investments, structured financing and debt investments. Backed by high-quality underlying assets and tailor-made structures, we have mitigated market risks and strengthened collateral controls.

Despite the volatility of the fixed income market in 2020, our portfolio remained comparatively resilient during the market turmoil and we have actively seized new opportunities. For the year ended 31 December 2020, interest income from loans and advances, receivables from structured financing and financial assets at fair value through other comprehensive income was HK\$481.2 million, representing an increase of approximately 52.0% as compared to HK\$316.5 million in 2019. Proprietary trading income was HK\$987.5 million, an increase of HK\$480.0 million or 94.6% as compared to HK\$507.5 million in 2019.

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

	2020		2019	
	<i>HK\$'million</i>	<i>%</i>	<i>HK\$'million</i>	<i>%</i>
Fixed income securities	<b>10,292.7</b>	<b>79.7</b>	8,591.1	75.9
Bonds	<b>8,609.3</b>	<b>66.7</b>	6,545.2	57.8
Preference shares	<b>1,683.4</b>	<b>13.0</b>	1,992.5	17.6
REIT(s)	–	–	53.4	0.5
Equity investments	<b>453.2</b>	<b>3.5</b>	179.6	1.6
Equity-linked loan	–	–	443.1	3.9
Funds	<b>2,176.8</b>	<b>16.8</b>	2,106.0	18.6

### ***Research***

Our research team focuses on market strategies, macroeconomics, key industries and companies and other fields in the global market, and provides independent and objective research support to institutional clients, the Group and internally within the Company. We provide comprehensive analysis and forecasting in respect of sector-and company-specific fundamentals. The team is highly recognised by institutional investors in Hong Kong, Mainland China and overseas markets. “Forecasts: Economics, Cycles and Market Bubbles”, a book authored by Mr. HONG Hao, the head of our research department and chief strategist, was honoured as one of the “Top Ten Financial Influential Books of 2020” and was included in the FT Chinese annual business book list and the “Barron Weekly” autumn book list as the top entry and second entry respectively. In addition, multiple analysts won awards in the 2020 Thomson Reuters Global Analyst Selection.

In 2020, macro strategy research publications included a series of reports on macro view of industries and quantitative research, providing unique insights for the market. Our sector research team also focused on new economy, new technology, medical and health industries as key development directions, vigorously developed in-depth research on new industry themes, and established a “new frontier research centre”, emphasising the output of cross-industry research perspectives, and covering market hotspots.



A total of 58 in-depth research reports were published in 2020, including genres such as quantitative strategy, specific focus topics and first coverage. Key themes included: “Impact of COVID-19 outbreak on the market and economy”, “Analysis of the impact of the central bank’s push of digital currency”, “rationalisation of live-stream e-commerce”, “Long-term competition and cooperation between e-commerce platforms and short video platforms”, “New energy vehicles series analysis” and “Energy industry long-term vision series analysis”.

As at 31 December 2020, our research team comprised more than 30 strategy and industry analysts and professional staff in Hong Kong, Beijing and Shanghai, and has completed 1,182 research reports, a 7% increase compared to 2019, covering 15 industries and over 150 stocks across new-economy and traditional sectors. Among Chinese securities firms in Hong Kong, our research reports ranked first in terms of the number of unique readers and second in terms of read volume on Bloomberg Terminal. Due to the impact of the epidemic, our team has expanded our online client services and developed diversified online roadshow events, and held over 130 online conferences.

In 2020, our research team further strengthened its strategic transformation to support the Group and the business of the whole Company, and continued to deep dive in the development direction of emerging industries and the new economy. Our research team collaborated with the Group’s internal research functions to conduct in-depth research on industries that meet national strategies and market needs. At the same time, our research team also collaborated with the Company’s investment teams and risk departments to provide valuation and risk prediction for projects, striving to achieve optimal returns on investment projects under the principle of ensuring that risks are controllable.

## Financial Review

### *Financial performance*

For the year ended 31 December 2020, the Group’s total revenue and other income was approximately HK\$2,194.8 million, representing an increase of approximately 39.8% over HK\$1,570.2 million in 2019.

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

	Year ended 31 December			
	2020		2019	
	<i>HK\$’million</i>	<i>%</i>	<i>HK\$’million</i>	<i>%</i>
Brokerage	197.8	9.0	138.4	8.8
Corporate finance and underwriting	130.4	5.9	120.1	7.6
Asset management and advisory	106.4	4.8	127.2	8.1
Margin financing	193.8	8.8	228.6	14.6
Investment and loans	1,501.6	68.5	859.2	54.7
Others	64.8	3.0	96.7	6.2
Total	<u>2,194.8</u>	<u>100.0</u>	<u>1,570.2</u>	<u>100.0</u>

The Group's profit for the year ended 31 December 2020 was approximately HK\$851.2 million, representing an increase of approximately 70.0% over HK\$500.6 million in 2019.

### ***Operating expenses***

Operating expenses and finance costs for the year ended 31 December 2020 amounted to HK\$1,262.1 million (2019: HK\$1,065.2 million), an analysis of which is listed below:

	Year ended 31 December			
	2020		2019	
	<i>HK\$'million</i>	<i>%</i>	<i>HK\$'million</i>	<i>%</i>
Commission and brokerage expenses	<b>56.6</b>	<b>4.5</b>	36.6	3.4
Finance costs	<b>279.6</b>	<b>22.2</b>	355.6	33.4
Staff costs	<b>402.0</b>	<b>31.9</b>	374.4	35.2
Depreciation	<b>83.3</b>	<b>6.6</b>	78.1	7.3
Other operating expenses	<b>178.3</b>	<b>14.1</b>	171.3	16.1
Change in impairment allowance	<b>262.3</b>	<b>20.7</b>	49.2	4.6
Total	<b><u>1,262.1</u></b>	<b><u>100.0</u></b>	<b><u>1,065.2</u></b>	<b><u>100.0</u></b>

Due to the increase in brokerage revenue, commission and brokerage expenses also increased accordingly.

Depreciation increased slightly by 6.7%.

Other operating expenses increased slightly by 4.0% as a result of the general increase of repair and maintenance expenses of IT systems and other expenses, offsetting the decrease in travelling and related expenses.

Change in impairment allowance increased to HK\$262.3 million, representing the increase in provision for the Group's exposures as a result of the current environment under the requirements of HKFRS 9 Financial Instruments. The level of uncertainty and judgement for the calculation of impairment allowance has significantly increased as a result of the economic effects of the COVID-19 pandemic.

### ***Liquidity, Financial Resources and Gearing Ratio***

The Group's cash and bank balances as at 31 December 2020 increased by HK\$1,459.8 million to HK\$2,004.9 million (31 December 2019: HK\$545.1 million).

The Group's net current assets decreased by HK\$2,308.9 million to approximately HK\$5,076.4 million as at 31 December 2020 (31 December 2019: HK\$7,385.3 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 1.4 times as at 31 December 2020 (31 December 2019: 2.3 times).



As at 31 December 2020, the Group had borrowings of HK\$12,703.5 million (31 December 2019: HK\$9,652.3 million) while the subordinated loans from the ultimate holding company amounted to HK\$1,000.0 million (31 December 2019: HK\$1,000.0 million).

As at 31 December 2020, the Group's gearing ratio was 176.0% (31 December 2019: 160.7%), as calculated by dividing total borrowings by total equity.

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

### ***Capital Structure***

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

### ***Principal Risks***

The Group faces a number of principal risks and uncertainties that if not properly managed could create an exposure for the Group. Thorough risk assessment and mitigation help to ensure these risks are well managed and effectively controlled. The Group focuses on addressing the following principal risks:

#### ***Currency Risk***

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

#### ***Interest Rate Risk***

Our interest rate risk relates primarily to margin loans to customers, loans and subordinated loans and investments in debt securities. The Group has set up an asset portfolio management system to mitigate interest rate risk by diversification of assets and regular monitoring of risk exposure so as to quantify market exposure in duration terms.

Anticipating the LIBOR will likely to be phased out at the end of 2021, the Group has in depth assessed the overall impact on the business operations in the following key areas:

- quantification and monitoring of exposures to LIBOR contracts;
- impact assessment across businesses and functions; and
- a plan to review pricing model to reduce exposure to LIBOR contracts.

In view of the above, the management envisages that the abolishment of current LIBOR will have limited impact on the Group's interest rate exposures (both directly and indirectly). While there had been no significant impact on the Group's performance during the year, the management will continue to monitor the market development and take appropriate measures to mitigate the risks accordingly.

#### *Credit Risk*

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

#### *Liquidity Risk*

Our businesses rely on sufficient funds to pay due debts, perform payment obligations and satisfy the capital requirements. The Group has implemented internal measures to monitor the liquidity risk and the foreseeable funding requirements to ensure certain subsidiaries of the Company that are regulated under the SFO continuously comply with the relevant rules and regulations.

#### *Operational Risk*

Our operational risk arises from direct or indirect financial loss resulting from incomplete or irregular internal processes, personnel mistakes, information technology system failures, or external events. The Group has implemented a range of internal controls and other measures to mitigate such risk.

#### *Market Risk*

Our market risk includes currency risk, interest rate risk and other price risk. The Group has implemented measures to manage and monitor such risks in order to keep potential losses to an acceptable level and maximise returns.

#### ***Material Acquisitions and Disposals***

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

#### ***Significant Investments Held***

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

#### ***Charges on Group Assets***

As at 31 December 2020, there was no charge on Group assets (31 December 2019: Nil).

### ***Capital Commitments***

As at 31 December 2020, the Group had no significant capital commitment.

### ***Employees and Remuneration Policies***

As at 31 December 2020, the Group had a total of 310 employees. Total staff costs amounted to approximately HK\$402.0 million for the year ended 31 December 2020.

The Group continuously refines its remuneration and incentive policies to boost business development and ensure employees receive competitive remuneration packages. The remuneration of the Directors is determined with reference to their duties, responsibilities, experience and to the prevailing market conditions. Mandatory provident fund scheme contributions and insurance packages have been provided to employees in accordance with local laws and regulations. The Group also provides various staff benefits according to among others, the relevant internal policy of the Company. We conduct performance evaluations of our employees annually to provide feedback on their performance.

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

### ***Contingent liabilities***

As at 31 December 2020, the Group had no material contingent liabilities.

### ***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 31 December 2020, the Group utilised approximately 99.8% 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 next year.

An analysis of the application/intended application and utilisation of the net proceeds from the Listing as at 31 December 2020 is set out below:

Application/Intended application	Net proceeds from the Listing (HK\$'million)	Utilised amount as at 31/12/2019 (HK\$'million)	Utilised amount during the Year (HK\$'million)	Utilised amount as at 31/12/2020 (HK\$'million)	Unutilised amount as at 31/12/2020 (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	122.4	62.6	185.0	2.9
5. Attract and retain talent as well as optimising human resources structure	187.9	187.9	–	187.9	–
6. Working capital and general corporate purposes	187.9	187.9	–	187.9	–
Total	<u>1,879.2</u>	<u>1,813.7</u>	<u>62.6</u>	<u>1,876.3</u>	<u>2.9</u>

### ***Impact of COVID-19 Pandemic***

Owing to the COVID-19 pandemic, we have implemented several measures including:

- Measures to maintain social distancing;
- Minimise face-to-face meeting by using conference calls or video conference;
- Measures of work-from-home arrangement and flexible working plans;
- Avoidance of unnecessary travel and outside meeting;
- Measures of access control to office with temperature screening;
- Quarantine measures for employees with contact with any confirmed case of COVID-19 and the requirement of coronavirus test at the cost of Company; and
- Provision of face masks, hand sanitisers and other hygiene supplies.

COVID-19 had a limited impact to our business, demonstrating the Group's thorough implementation of a forward-looking approach and effective mitigation actions. We have minimised travelling and entertainment events. Our operations remain stable by the extensive use of information technology. The impact of the COVID-19 pandemic on our finances was minimal. We maintain a healthy liquidity position and sufficient working capital. The impairment

allowance increases as a result of the impairment being calculated under expected credit losses model and impairment of credit-impaired assets under individual assessment. The COVID-19 pandemic has also made no significant impact on our cost control, funding and business plan.

## **OUTLOOK AND STRATEGY**

If the research on the COVID-19 vaccine progresses smoothly in 2021 and achieves large-scale usage in major countries, the global economy is expected to gradually recover from the crisis. We expect that in 2021, major central banks will continue to maintain low interest rate policies until the economy fully recovers or inflation reaches their target level. Meanwhile, central banks will adjust their asset purchase decisions and structure in real time according to the progress of economic recovery, so as to better support economic development.

In 2021, China's economy is expected to continue its growth advantage of 2020 as credit and M2 continue to grow steadily and real estate investment resume after digesting the "Three Red Lines" policy. Consumer confidence is rebounding from historical low ebb, demand is improving, and inflationary pressures are gradually rising. The global economic recovery, led by China, is expected to last at least through the first half of 2021. With the Biden administration, the U.S. stimulus policy is likely to exceed expectations. The recovery of China and the United States will be greater than that in 2020, and the global economic and trade order will be reconstructed. The United States is expected to return to its traditional foreign policy. However, the trade tensions between China and the United States probably will not change. Chinese concept stocks are seeking Hong Kong as the first choice for their secondary listing, and the wave of returning Chinese concept stocks will further promote optimisation of the structure of Hong Kong's stock market. In the future, the Hong Kong market is expected to welcome more companies from China's new economy sector, driving the recovery of the overall valuation of Hong Kong's stock market.

As 2021 marks the first year of the "New Five-Year Plan" for the Group, we will continue to strive for steady progress by relying on our capability to maintain stable development amidst an uncertain external environment. Active efforts will be made to seize the opportunities arising from the national "dual circulation" new development pattern, major regional development strategies and the shift to new growth drivers, so as to continuously strengthen our core capabilities. By adopting a customer-first principle, focusing on value creation and adhering to the business strategy of "dual geography, dual industry focus, dual technology investment", we will strive to promote high-quality and large-scale development and make steady progress towards the strategic goals of building a wealth management financial service institution with global influence and regional market leadership, with an aim to create greater value for our customers and Shareholders.

## **FINAL DIVIDEND**

The Directors recommended the payment of a final dividend of HK\$0.16 per share. 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 14 July 2021.

## **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 year ended 31 December 2020.

## **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. During the year ended 31 December 2020, with the exception of code provision A.2.1 of the Corporate Governance Code, 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.

## **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 year ended 31 December 2020 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 controls and financial reporting matters including the review of the consolidated financial results of the Group for the year ended 31 December 2020.

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, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 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 the 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](http://www.hkexnews.hk)) and the Company ([www.bocomgroup.com](http://www.bocomgroup.com)). The 2020 annual report containing all the information required by the Listing Rules will be despatched to Shareholders and made available on the above websites in due course.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company will be held in June 2021. 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 2020 annual report.

## **DEFINITIONS**

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

“AUM”	the amount of assets under management
“Board”	the board of Directors of the Company
“BOCOM”	Bank of Communications Co., Ltd. (交通銀行股份有限公司), established in 1908, a company registered in the PRC as a joint stock limited liability company on 24 December 2004, the H shares and A shares of which are listed on the Stock Exchange and the Shanghai Stock Exchange, respectively, and the ultimate controlling shareholder of the Company
“BOCOM Group”	BOCOM and its subsidiaries (excluding the Group)



“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), a limited partnership established under the laws of the PRC
“Company”	BOCOM International Holdings Company Limited (交銀國際控股有限公司), a company incorporated in Hong Kong with limited liability on 3 June 1998, the issued Shares of which are listed on the Main Board of the Stock Exchange
“Corporate Governance Code”	the 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
“HKAS”	the Hong Kong Accounting Standards
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	the Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IPO”	initial public offering
“Listing”	the 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)



“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus of the Company dated 5 May 2017
“QDIE”	Qualified Domestic Investment Entity
“QFLP”	Qualified Foreign Limited Partnership
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“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
“Year”	the year ended 31 December 2020

\* *For identification purpose only*

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

Hong Kong, 24 March 2021

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