

**J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED**  
**INTERIM FINANCIAL DISCLOSURE STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30TH JUNE 2020**

## J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED

### UNAUDITED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED

	Note	30 June 2020 US\$'000	30 June 2019 US\$'000
Interest income	1	6,685	18,319
Interest expense	2	<u>(2,066)</u>	<u>(3,424)</u>
Net interest income		4,619	14,895
Net fees and commission income	3	585,820	380,904
Net loss from financial instruments at fair value through profit or loss	4	(262)	(491)
Other (loss)/income		<u>(28)</u>	<u>95</u>
Total income		590,149	395,403
Operating expenses	5	<u>(400,421)</u>	<u>(406,938)</u>
Profit/(loss) before tax		189,728	(11,535)
Taxation	6	<u>(37,005)</u>	<u>(785)</u>
Total comprehensive income/(loss) for the period		<u><u>152,723</u></u>	<u><u>(12,320)</u></u>

### REVIEW OF ACTIVITIES

J.P. Morgan Securities (Asia Pacific) Limited (the "Company") is a Restricted Licensed Bank with the Hong Kong Monetary Authority ("HKMA") and a Registered Institution with the Hong Kong Securities and Futures Commission. The Company is incorporated and domiciled in Hong Kong. The Company is engaged in Corporate & Investment Bank related activities.

The first half unaudited profit after tax was US\$152.7 million for 2020, an increase of US\$165 million compared with the same period last year, mainly contributed by increase in net fees and commission income relating to sales and marketing activities.

# J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED

## UNAUDITED BALANCE SHEET

	Note	As at 30 June 2020 US\$'000	As at 31 December 2019 US\$'000
<b>ASSETS</b>			
Balances with banks		1,416,107	1,333,359
Financial assets at fair value through profit or loss		19,576	15,227
Deferred tax assets	7	25,926	25,291
Other assets		328,026	156,300
Fixed assets	8	825	965
Right-of-use assets		990	1,162
Total assets		<u>1,791,450</u>	<u>1,532,304</u>
<b>EQUITY</b>			
Share capital		527,000	527,000
Reserves		591,679	438,956
Total equity		<u>1,118,679</u>	<u>965,956</u>
<b>LIABILITIES</b>			
Deposits and balances from banks		267,256	210,453
Other liabilities		367,001	350,291
Taxation payable	9	37,489	4,372
Lease Liabilities		1,025	1,232
Total liabilities		<u>672,771</u>	<u>566,348</u>
Total equity and liabilities		<u>1,791,450</u>	<u>1,532,304</u>

## J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED

### UNAUDITED STATEMENT OF CHANGES IN EQUITY

	Share capital US\$'000	Employee benefit reserve US\$'000	Retained earnings US\$'000	Total US\$'000
Balance as at 1 January 2019	527,000	69,373	421,849	1,018,222
Total comprehensive loss for the period	—	—	(12,320)	(12,320)
Transactions with owners				
Employee benefit expenses for the period	—	28,450	—	28,450
Employee benefit recharged by JPMorgan Chase	—	(28,450)	—	(28,450)
Total transactions with owners	—	—	—	—
Balance as at 30 June 2019	<u>527,000</u>	<u>69,373</u>	<u>409,529</u>	<u>1,005,902</u>
Balance as at 1 July 2019	527,000	69,373	409,529	1,005,902
Total comprehensive loss for the period	—	—	(39,946)	(39,946)
Transactions with owners				
Employee benefit expenses for the period	—	21,043	—	21,043
Employee benefit recharged by JPMorgan Chase	—	(21,043)	—	(21,043)
Total transactions with owners	—	—	—	—
Balance as at 31 December 2019	<u>527,000</u>	<u>69,373</u>	<u>369,583</u>	<u>965,956</u>
Balance as at 1 January 2020	527,000	69,373	369,583	965,956
Total comprehensive income for the period	—	—	152,723	152,723
Transactions with owners				
Employee benefit expenses for the period	—	35,437	—	35,437
Employee benefit recharged by JPMorgan Chase	—	(35,437)	—	(35,437)
Total transactions with owners	—	—	—	—
Balance as at 30 June 2020	<u>527,000</u>	<u>69,373</u>	<u>522,306</u>	<u>1,118,679</u>

**J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED**

**UNAUDITED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED**

	Note	30 June 2020 US\$'000	30 June 2019 US\$'000
Net cash inflow/(outflow) from operating activities	12	<u>81,776</u>	<u>(65,712)</u>
Cash flows from investing activities			
Purchase of fixed assets		<u>(125)</u>	<u>(128)</u>
Net cash outflow from investing activities		<u>(125)</u>	<u>(128)</u>
Cash flows from financing activities			
Principal element of lease payments		<u>(610)</u>	<u>(467)</u>
Net cash outflow from financing activities		<u>(610)</u>	<u>(467)</u>
Net increase/(decrease) in cash and cash equivalents		81,041	(66,307)
Cash and cash equivalents at 1st January		783,359	829,079
Exchange difference on cash and cash equivalents		<u>1,707</u>	<u>3,078</u>
Cash and cash equivalents at the end of the period		<u><u>866,107</u></u>	<u><u>765,850</u></u>
Representing:			
Balances with banks		1,416,107	1,315,850
Less: placements with bank with originally maturity more than three months		<u>(550,000)</u>	<u>(550,000)</u>
Cash and cash equivalents at the end of the period		<u><u>866,107</u></u>	<u><u>765,850</u></u>

## J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

#### 1 Interest income

Interest income on financial assets that are measured at amortized cost are US \$6,344,000 (first half of 2019: US\$15,389,000).

During the period, there was no interest income accrued on impaired financial assets (first half of 2019: Nil).

#### 2 Interest expense

	For the six months ended	
	30 June 2020	30 June 2019
	US\$'000	US\$'000
Deposits and balances from banks	2,035	3,282
Interest element of lease payments	31	142
	<u>2,066</u>	<u>3,424</u>

Interest expense on financial liabilities that are not measured at fair value through profit or loss amounted to US\$2,066,000 (first half of 2019: US\$3,424,000).

#### 3 Net fees and commission income

	For the six months ended	
	30 June 2020	30 June 2019
	US\$'000	US\$'000
Fees and commission income	744,284	508,088
Fees and commission expense	<u>(158,464)</u>	<u>(127,184)</u>
Net fees and commission income	<u>585,820</u>	<u>380,904</u>

During the period, there was no fee income and fee expense, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not at fair value through profit or loss (first half of 2019: Nil).

During the period, there was no fee income and fee expense on trust and other fiduciary activities where the Company holds or invests on behalf of its customers (first half of 2019: Nil).

## J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

#### 4 Net loss from financial instruments at fair value through profit or loss

	For the six months ended	
	30 June 2020	30 June 2019
	US\$'000	US\$'000
Net (loss)/gain from foreign exchange trading	(695)	115
Net gain/(loss) from trading assets	433	(606)
	<u>(262)</u>	<u>(491)</u>

#### 5 Operating expenses

	For the six months ended	
	30 June 2020	30 June 2019
	US\$'000	US\$'000
Staff costs	194,080	183,723
Fees paid to Group companies	145,473	163,619
Premises and equipment expenses	13,161	12,247
Depreciation expense for fixed assets (note 8)	254	341
Depreciation expense for right-of-use assets	514	410
Other operating expenses	46,939	46,598
	<u>400,421</u>	<u>406,938</u>

**J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)****6 Taxation**

	For the six months ended	
	30 June 2020	30 June 2019
	US\$'000	US\$'000
Current income tax		
- Hong Kong profit tax	37,488	199
- Overseas taxation	31	30
Deferred income tax	(514)	556
	<u>37,005</u>	<u>785</u>

**7 Deferred tax assets**

The movement of the deferred income tax account is as follows:

	30 June 2020	31 December 2019
	US\$'000	US\$'000
At 1 January	25,291	18,981
Credited to statement of profit or loss and comprehensive income (note 6)	514	6,206
Exchange difference	121	104
	<u>25,926</u>	<u>25,291</u>



**J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**

**8 Fixed Assets**

	Leasehold improvements US\$'000	Furniture and equipment US\$'000	Total US\$'000
<b>Cost</b>			
As at 1 January 2020	1,458	38,988	40,446
Additions	—	125	125
Disposals	(27)	(13)	(40)
	<u>1,431</u>	<u>39,100</u>	<u>40,531</u>
As at 30 June 2020	<u>1,431</u>	<u>39,100</u>	<u>40,531</u>
<b>Accumulated depreciation</b>			
As at 1 January 2020	1,164	38,317	39,481
Charge for the period (Note 5)	31	223	254
Disposals	(19)	(10)	(29)
	<u>1,176</u>	<u>38,530</u>	<u>39,706</u>
As at 30 June 2020	<u>1,176</u>	<u>38,530</u>	<u>39,706</u>
<b>Net book value</b>	<u>255</u>	<u>570</u>	<u>825</u>
<b>Cost</b>			
As at 1 January 2019	1,318	39,293	40,611
Additions	140	482	622
Disposals	—	(787)	(787)
	<u>1,458</u>	<u>38,988</u>	<u>40,446</u>
As at 31 December 2019	<u>1,458</u>	<u>38,988</u>	<u>40,446</u>
<b>Accumulated depreciation</b>			
As at 1 January 2019	1,153	38,514	39,667
Charge for the year	11	576	587
Disposals	—	(773)	(773)
	<u>1,164</u>	<u>38,317</u>	<u>39,481</u>
As at 31 December 2019	<u>1,164</u>	<u>38,317</u>	<u>39,481</u>
<b>Net book value</b>	<u>294</u>	<u>671</u>	<u>965</u>

## J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

#### 9 Taxation payable

The gross movement of the income tax payable is as follows:

	30 June 2020	31 December 2019
	US\$'000	US\$'000
At 1 January	4,372	(631)
Charged to statement of profit or loss and comprehensive income (note 6)	37,519	5,172
Hong Kong tax paid	(4,393)	—
Overseas tax paid	(31)	(165)
Exchange difference	22	(4)
	<u>37,489</u>	<u>4,372</u>
At the end of the period / year	<u>37,489</u>	<u>4,372</u>

#### 10 Loans and advances

There were no loans and advances to customers and banks and impaired assets as at 30 June 2020 and 31 December 2019.

#### 11 Derivative financial instruments

	Notional amounts	Fair value	
		Assets	Liabilities
	US\$'000	US\$'000	US\$'000
As at 30 June 2020			
Derivatives held for trading			
Exchange rate contracts - forwards	16,734	<u>4</u>	<u>3</u>
As at 31 December 2019			
Derivatives held for trading			
Exchange rate contracts - forwards	3,872	<u>11</u>	<u>—</u>

The contract amounts of these instruments indicate the volume of transactions outstanding as at the balance sheet date, they do not represent the amounts at risk. The above derivative assets and liabilities are computed at a transaction level and shown on a gross basis with no offsetting presentation due to bilateral netting agreements.

## J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

#### 12 Notes to statement of cash flows

Reconciliation of profit before taxation to net cash inflow/(outflow) from operating activities:

	30 June 2020 US\$'000	30 June 2019 US\$'000
Profit/(loss) before taxation	189,728	(11,535)
Foreign exchange difference	(2,127)	(3,108)
Depreciation charge for fixed assets	254	341
Depreciation charge for right-of-use assets	865	410
Loss on disposal of fixed assets	11	—
Interest income	(6,685)	(18,319)
Interest expense	2,035	3,282
Interest element of lease payments	31	142
	<hr/>	<hr/>
Net cash inflow/(outflow) before changes in operating assets and liabilities	184,112	(28,787)
Increase in financial assets at fair value through profit or loss	(4,349)	(59,399)
Increase in other assets	(171,726)	(34,086)
Increase in deposits and balances from banks	56,803	90,811
Increase/(decrease) in other liabilities	16,710	(49,258)
	<hr/>	<hr/>
Net cash inflow/(outflow) from operations	81,550	(80,719)
Interest received	6,685	18,319
Interest paid	(2,035)	(3,282)
Hong Kong tax paid	(4,393)	—
Overseas tax paid	(31)	(30)
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	<u>81,776</u>	<u>(65,712)</u>