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中國通海國際金融有限公司
CHINA TONGHAI INTERNATIONAL FINANCIAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 952)

ANNOUNCEMENT OF UNAUDITED 2021 ANNUAL RESULTS

The board of directors (the “Board” or the “Directors”) of China Tonghai International Financial Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (together, the “Group”) for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020, which have been prepared in accordance with the Hong Kong Financial Reporting Standards (the “HKFRSs”).

The loss before tax for 2021 is HK\$2,199 million. If the E.C.L. provisions and fair value changes from connected parties were excluded, our profit before tax would be HK\$78 million. Both figures are within the range stated in our profit warning announcement dated 8 March 2022.

Due to recent pandemic measures in Hong Kong in connection with the coronavirus disease (COVID-19) outbreak, additional time is required to complete audit procedures, including vouching and returns of certain key audit confirmations. Based on the information currently available to the Company, the auditor of the Company will not be able to complete the audit procedures on time. As the audit work has not yet been completed, the Company will not be able to publish its audited results for the year ended 31 December 2021 (the “2021 Audited Annual Results”) on or before 31 March 2022. The unaudited annual results for the year ended 31 December 2021 contained herein have not been agreed with the auditors of the Company in accordance with Rule 13.49(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). A further announcement relating to the 2021 Audited Annual Results will be made when the auditing process has been completed.

A potential modification to audit report with material uncertainty related to going concern section on the Company’s financial statements may be issued by the Company’s auditors due to the deteriorating financial soundness of the parent company of the Company which may affect the future creditability and liquidity of the Group. The material uncertainty related to going concern section itself is neither a disclaimer of opinion, nor an adverse opinion. The potential modification to audit report is subject to the completion of the audit, and/or the development of our parent company’s business and their financial liquidity.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | <i>Notes</i> | 2021 <i>HK\$'000</i> (Unaudited) | 2020 <i>HK\$'000</i> (Audited) |
|--|--------------|--|---|
| Fee and commission income | 4 | 210,684 | 234,242 |
| Interest income | | | |
| — Calculated using the effective interest method | 4 | 440,076 | 424,552 |
| — Calculated using other method | 4 | 173,079 | 242,406 |
| Net investment gain | 4 | 33,983 | 203,415 |
| Total revenue | 4 | 857,822 | 1,104,615 |
| Other income | 5 | 15,110 | 15,902 |
| Direct costs | | (141,838) | (165,747) |
| Staff costs | | (186,178) | (255,215) |
| Depreciation and amortisation | 7 | (45,807) | (48,243) |
| Expected Credit Loss (“E.C.L.”) net provisions | | (2,582,604) | (372,627) |
| Finance costs | | | |
| — Interest on borrowings | 6 | (59,717) | (105,713) |
| — Interest on lease liabilities | 6 | (2,725) | (4,111) |
| Other operating expenses | 8 | (53,247) | (55,741) |
| (Loss)/profit before tax | 7 | (2,199,184) | 113,120 |
| Tax credit/(expense) | 9 | 3,082 | (9,870) |
| Net (loss)/profit attributable to equity holders of the Company | | <u>(2,196,102)</u> | <u>103,250</u> |
| (Loss)/earnings per share for net (loss)/profit attributable to equity holders of the Company | | <i>HK cent(s)</i> | <i>HK cent(s)</i> |
| — Basic and diluted | 10 | (35.733) | 1.680 |
| Dividend per share | 11 | — | <u>0.5</u> |

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

| | 2021 <i>HK\$'000</i> (Unaudited) | 2020 <i>HK\$'000</i> (Audited) |
|--|--|---|
| Net (loss)/profit attributable to equity holders of the Company | <u>(2,196,102)</u> | <u>103,250</u> |
| Other comprehensive income including reclassification adjustments | | |
| Item that may be reclassified subsequently to profit or loss — Exchange gain on translation of financial statements of foreign operations | 980 | 2,436 |
| Item that will not be reclassified subsequently to profit or loss — Changes in fair value of financial assets measured at fair value through other comprehensive income | <u>(3,840)</u> | <u>1,977</u> |
| Other comprehensive income including reclassification adjustments and net of tax | <u>(2,860)</u> | <u>4,413</u> |
| Total comprehensive income attributable to equity holders of the Company | <u><u>(2,198,962)</u></u> | <u><u>107,663</u></u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | As at 31 December 2021 | | | As at 31 December 2020 | | |
|---|---|-------------------------|-------------------------|------------------------|-----------------------|-------------------------|
| | Current | Non-current | Total | Current | Non-current | Total |
| | <i>Notes</i> HK\$'000 (Unaudited) | HK\$'000 (Unaudited) | HK\$'000 (Unaudited) | HK\$'000 (Audited) | HK\$'000 (Audited) | HK\$'000 (Audited) |
| ASSETS | | | | | | |
| Cash and cash equivalents | 405,290 | — | 405,290 | 214,461 | — | 214,461 |
| Bank balances held on behalf of clients | 1,178,362 | — | 1,178,362 | 1,448,532 | — | 1,448,532 |
| Financial assets held for trading | 1,026,012 | 83,082 | 1,109,094 | 1,956,168 | 113,039 | 2,069,207 |
| Financial assets not held for trading | 267,612 | 4,210 | 271,822 | 117,494 | 8,050 | 125,544 |
| Derivative financial instruments | 17,267 | — | 17,267 | 94,899 | — | 94,899 |
| Loans to margin clients | 12 1,382,977 | — | 1,382,977 | 1,371,861 | — | 1,371,861 |
| Advances to customers for corporate actions | 13 189,308 | — | 189,308 | 189,448 | — | 189,448 |
| Other loans | 14 1,517,018 | 81,040 | 1,598,058 | 3,190,070 | 148,830 | 3,338,900 |
| Reverse repurchase agreements | 15 2,050 | — | 2,050 | 163,849 | — | 163,849 |
| Accounts receivable | 16 454,165 | — | 454,165 | 545,225 | — | 545,225 |
| Prepayments, deposits and other receivables | 84,577 | — | 84,577 | 118,614 | — | 118,614 |
| Goodwill and other intangible assets | — | 20,172 | 20,172 | — | 17,782 | 17,782 |
| Other assets | — | 23,947 | 23,947 | — | 65,090 | 65,090 |
| Investment property | — | — | — | — | 9,600 | 9,600 |
| Property and equipment | — | 72,724 | 72,724 | — | 99,120 | 99,120 |
| Deferred tax assets | — | 79,140 | 79,140 | — | 64,790 | 64,790 |
| TOTAL ASSETS | 6,524,638 | 364,314 | 6,888,953 | 9,410,621 | 526,301 | 9,936,922 |
| LIABILITIES AND EQUITY | | | | | | |
| LIABILITIES | | | | | | |
| Bank and other borrowings | 1,502,854 | — | 1,502,854 | 1,872,838 | — | 1,872,838 |
| Accounts payable | 17 1,541,785 | — | 1,541,785 | 1,954,531 | — | 1,954,531 |
| Obligations under repurchase agreements | — | — | — | 1,965 | — | 1,965 |
| Contract liabilities | 11,004 | — | 11,004 | 5,864 | — | 5,864 |
| Lease liabilities | 33,572 | 13,879 | 47,451 | 35,196 | 44,814 | 80,010 |
| Accruals and other payables | 117,174 | — | 117,174 | 110,094 | — | 110,094 |
| Tax payables | 7,415 | — | 7,415 | 20,403 | — | 20,403 |
| TOTAL LIABILITIES | 3,213,804 | 13,879 | 3,227,683 | 4,000,891 | 44,814 | 4,045,705 |
| EQUITY | | | | | | |
| Share capital | | | 20,657 | | | 20,657 |
| Reserves | | | 3,640,613 | | | 5,870,560 |
| TOTAL EQUITY | | | 3,661,270 | | | 5,891,217 |
| TOTAL LIABILITIES AND EQUITY | | | 6,888,953 | | | 9,936,922 |
| <i>Net current assets</i> | | | <u><u>3,310,834</u></u> | | | <u><u>5,409,730</u></u> |

NOTES TO THE UNAUDITED RESULTS

For the year ended 31 December 2021

1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange.

The financial statements have been prepared on the historical cost basis except for certain financial instruments and investment property which are measured at fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Going Concern

As at 31 December 2021, the Group’s total other loans and financial assets not held for trading (net of E.C.L. provision) amounted to approximately HK\$1,870 million, of which HK\$997 million are due from connected parties of the Company. The various credit events from such connected parties triggered additional uncertainty over the recoverability on those balances due from connected parties. The repayment amount from those connected parties for the next twelve months from 31 December 2021 is uncertain.

The Group’s total borrowings comprising secured loans from banks, secured and unsecured loans from other parties and private notes of HK\$1,503 million as at 31 December 2021, of which bank loans of HK\$780 million were secured by securities collateral pledged to the Group by margin clients and repayable on demand, whereas its cash and cash equivalents amounted to HK\$405 million. Along with the further deteriorating financial soundness of the Company’s parent company in the future, the Group may encounter liquidity issue when creditor have extreme actions.

The above conditions indicate the existence of material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern.

The directors of the Company (the “Directors”) have reviewed the Group’s cash flow projections which cover a period of not less than twelve months from 31 December 2021 after taking into consideration the following plans and measures:

- (i) On 11 March 2022, the Group issued a private guarantee notes of HK\$21 million;
- (ii) On 25 March 2022, the Group entered into a deed of assignment with an independent third party, pursuant to which the Group has agreed to sell a loan for a consideration of approximately HK\$231 million; and
- (iii) The Group will pursue additional financing including, but not limited to, issuance of new private notes and realisation of certain short-term investments.

Assuming the success of the above measures, the Directors are of the opinion that the Group will have sufficient working capital to meet its financial obligations when they fall due and are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to generate sufficient cash flows from the above measures in time to repay the borrowings when they fall due or are demanded to repay early. The sufficiency of the Group’s working capital to satisfy its liquidity requirements for at least the next twelve months from 31 December 2021 may be affected by the financial soundness and credit rating of our parent company and the Group’s ability to generate adequate financing and operating cash flows.

Should the Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group’s assets to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.1 Adoption of new and amended HKFRSs

The Group has applied the following amendments to HKFRSs issued by HKICPA to these financial statements for the current accounting period:

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform — phase 2*
- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

None of these developments have had a material effect on the Group’s results and financial position for the current or prior accounting periods. The Group has not applied any new standards or interpretation that is not yet effective for the current accounting periods.

2.2 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2021

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

| | Effective for accounting periods beginning on or after |
|--|--|
| Amendments to HKFRS 3, <i>Reference to the Conceptual Framework</i> | 1 January 2022 |
| Amendments to HKAS 16, <i>Property, Plant and Equipment: Proceeds before Intended Use</i> | 1 January 2022 |
| Amendments to HKAS 37, <i>Onerous Contracts — Cost of Fulfilling a Contract</i> | 1 January 2022 |
| Annual Improvements to HKFRSs 2018–2020 Cycle | 1 January 2022 |
| Amendments to HKAS 1, <i>Classification of liabilities as current or non-current</i> | 1 January 2023 |
| Amendments to HKAS 1 and HKFRS Practice Statement 2, <i>Disclosure of accounting policies</i> | 1 January 2023 |
| Amendments to HKAS 8, <i>Definition of accounting estimates</i> | 1 January 2023 |
| Amendments to HKAS 12, <i>Deferred tax related to assets and liabilities arising from a single transaction</i> | 1 January 2023 |

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far the Group has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

3 SEGMENT INFORMATION

The executive directors have identified the Group's six service lines as operating segments. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

| 2021 (Unaudited) | Corporate finance <i>HK\$'000</i> | Asset management <i>HK\$'000</i> | Brokerage <i>HK\$'000</i> | Interest income <i>HK\$'000</i> | Investments <i>HK\$'000</i> | Others <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|---|--|------------------------------|---------------------------------------|--------------------------------|---------------------------|--------------------------|
| Reportable segment revenue | | | | | | | |
| Fee and commission income | 26,287 | 35,378 | 139,420 | — | — | 9,599 | 210,684 |
| Interest income | — | — | 152,925 | 435,790 | 24,440 | — | 613,155 |
| Net investment gain | — | — | — | — | 33,983 | — | 33,983 |
| Segment revenue from external customers | 26,287 | 35,378 | 292,345 | 435,790 | 58,423 | 9,599 | 857,822 |
| Inter-segment revenue | 1,300 | 3,690 | 2,032 | — | — | 1,594 | 8,616 |
| Reportable segment revenue | 27,587 | 39,068 | 294,377 | 435,790 | 58,423 | 11,193 | 866,438 |
| Reportable segment result | (6,860) | 21,003 | 18,536 | (2,230,911) | 10,016 | (6,246) | (2,194,462) |

| 2020 (Audited) | Corporate finance <i>HK\$'000</i> | Asset management <i>HK\$'000</i> | Brokerage <i>HK\$'000</i> | Interest income <i>HK\$'000</i> | Investments <i>HK\$'000</i> | Others <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|---|--|------------------------------|---------------------------------------|--------------------------------|---------------------------|--------------------------|
| Reportable segment revenue | | | | | | | |
| Fee and commission income | 14,406 | 41,680 | 170,046 | — | — | 8,110 | 234,242 |
| Interest income | — | — | 216,428 | 368,087 | 82,443 | — | 666,958 |
| Net investment gain | — | — | — | — | 203,415 | — | 203,415 |
| Segment revenue from external customers | 14,406 | 41,680 | 386,474 | 368,087 | 285,858 | 8,110 | 1,104,615 |
| Inter-segment revenue | 1,430 | 3,588 | 10 | — | — | 1,186 | 6,214 |
| Reportable segment revenue | 15,836 | 45,268 | 386,484 | 368,087 | 285,858 | 9,296 | 1,110,829 |
| Reportable segment result | (13,420) | 10,083 | 25,974 | (90,595) | 194,304 | (2,965) | 123,381 |

The totals presented for the Group's operating segments are reconciled to the Group's key financial figures as presented in the consolidated financial statements as follows:

| | 2021 <i>HK\$'000</i> (Unaudited) | 2020 <i>HK\$'000</i> (Audited) |
|--|--|--------------------------------------|
| Reportable segment revenue | 866,438 | 1,110,829 |
| Elimination of inter-segment revenue | (8,616) | (6,214) |
| Consolidated revenue | 857,822 | 1,104,615 |
| Reportable segment result | (2,194,462) | 123,381 |
| Loss on revaluation of investment property | — | (2,100) |
| Share of result of an associate | 526 | (206) |
| Share of results of joint ventures | 1,552 | (1,873) |
| Unallocated corporate expenses | (6,800) | (6,082) |
| Consolidated (loss)/profit before tax | (2,199,184) | 113,120 |

Geographical information

The Group's operations are substantially located in Hong Kong and substantially all non-current assets of the Group are located in Hong Kong. Therefore, no detailed analysis of geographical information is required.

The Group's customers include the following with whom transactions have exceeded 10% of the Groups' revenue:

| | 2021 <i>HK\$'000</i> (Unaudited) | 2020 <i>HK\$'000</i> (Audited) |
|--|--|--------------------------------------|
| Oceanwide Holdings International Development III Co., Ltd* | 160,822 | 145,623 |

* Revenue from this customer, a connected party to our Company, is attributable to interest income segment.

4 REVENUE

(a) Revenue analysis

| | 2021 <i>HK\$'000</i> (Unaudited) | 2020 <i>HK\$'000</i> (Audited) |
|---|--|--------------------------------------|
| Corporate finance business | | |
| <i>Fee and commission income:</i> | | |
| — Placing and underwriting commission income | 11,010 | 7,775 |
| — Financial and compliance advisory services fee income | 15,277 | 6,631 |
| | <u>26,287</u> | <u>14,406</u> |
| Asset management business | | |
| <i>Fee and commission income:</i> | | |
| — Management fee income | 17,265 | 15,268 |
| — Performance fee income | 18,113 | 26,412 |
| | <u>35,378</u> | <u>41,680</u> |
| Brokerage business | | |
| <i>Fee and commission income:</i> | | |
| — Commission on dealings in securities | | |
| — Hong Kong securities | 62,060 | 67,410 |
| — Other than Hong Kong securities | 6,245 | 7,221 |
| — Commission on dealings in futures and options contracts | 49,533 | 73,528 |
| — Handling, custodian and other service fee income | 21,582 | 21,887 |
| | <u>139,420</u> | <u>170,046</u> |
| Interest income business | | |
| <i>Interest income calculated using the effective interest method:</i> | | |
| — Interest income from other loans | 363,875 | 368,079 |
| — Interest income from cash clients receivables | 2,992 | 1,709 |
| — Interest income from trust bank deposits | 2,696 | 11,521 |
| — Interest income from initial public offering (“IPO”) loans | 1,393 | 2,970 |
| — Interest income from house money bank deposits and others | 69,120 | 40,273 |
| <i>Interest income calculated using other method:</i> | | |
| — Interest income from loans to margin clients | 145,717 | 159,152 |
| — Interest income from bonds measured at fair value through profit or loss and others | 27,362 | 83,254 |
| | <u>613,155</u> | <u>666,958</u> |

| | 2021 <i>HK\$'000</i> (Unaudited) | 2020 <i>HK\$'000</i> (Audited) |
|--|--|--------------------------------------|
| Investments and others business | | |
| <i>Fee and commission income:</i> | | |
| — Financial media service fee income | 9,599 | 8,110 |
| <i>Net investment gain/(loss):</i> | | |
| — Net realised loss on financial assets measured at amortised cost | — | (394) |
| — Net realised and unrealised gain on financial assets measured at fair value through profit or loss | 9,989 | 185,107 |
| — Dividend income from financial assets measured at fair value through profit or loss | 23,994 | 18,702 |
| | <u>43,582</u> | <u>211,525</u> |
| Total revenue | <u>857,822</u> | <u>1,104,615</u> |

(b) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 *Revenue from Contracts with Customers* to its contracts with customers and did not disclose information about the remaining performance obligations under the contracts that had an original expected duration of one year or less.

5 OTHER INCOME

| | 2021 <i>HK\$'000</i> (Unaudited) | 2020 <i>HK\$'000</i> (Audited) |
|---|--|--------------------------------------|
| Changes in net asset value attributable to other holders of consolidated investment funds | 4,526 | (1,386) |
| Exchange gains, net | 8,280 | 4,660 |
| Loss on revaluation of investment property | — | (2,100) |
| Government subsidies (<i>note (i)</i>) | 825 | 12,985 |
| Sundry income | 1,479 | 1,743 |
| | <u>15,110</u> | <u>15,902</u> |

Note:

- (i) In 2021, the Group successfully applied funding support from subsidies scheme and programme. In 2020, the Group successfully applied funding support from the Employment Support Scheme (E.S.S.) under the Anti-epidemic Fund, set up by the Hong Kong SAR Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the E.S.S., the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

6 FINANCE COSTS

| | 2021 <i>HK\$'000</i> (Unaudited) | 2020 <i>HK\$'000</i> (Audited) |
|---|--|--------------------------------------|
| Interest on bank borrowings | 41,015 | 67,028 |
| Interest on private notes | 18,679 | 38,666 |
| Interest on obligations under repurchase agreements | 23 | 19 |
| Interest on lease liabilities | 2,725 | 4,111 |
| | <u>62,442</u> | <u>109,824</u> |

7 (LOSS)/PROFIT BEFORE TAX

| | 2021 <i>HK\$'000</i> (Unaudited) | 2020 <i>HK\$'000</i> (Audited) |
|--|--|--------------------------------------|
| (Loss)/profit before tax is arrived at after charging: | | |
| Depreciation and amortisation | | |
| — Other intangible assets | 2,257 | 1,823 |
| — Property and equipment | 43,550 | 46,420 |
| | <u>45,807</u> | <u>48,243</u> |
| Other items | | |
| — Net losses on disposals of property and equipment | — | 60 |
| — Expenses relating to short-term leases | 93 | 442 |
| — Direct operating expenses related to investment property | — | 24 |

8 OTHER OPERATING EXPENSES

| | 2021 <i>HK\$'000</i> (Unaudited) | 2020 <i>HK\$'000</i> (Audited) |
|--|--|--------------------------------------|
| Advertising and promotion expenses | 5,818 | 7,490 |
| Auditor's remuneration | 4,300 | 3,880 |
| Bank charges | 2,014 | 2,179 |
| Entertainments | 1,497 | 1,079 |
| General office expenses | 5,622 | 5,236 |
| Insurance | 2,943 | 3,166 |
| Legal and professional fee | 15,692 | 13,147 |
| Share of result of an associate | (526) | 206 |
| Share of results of joint ventures | (1,552) | 1,873 |
| Short-term leases, rates and building management fee | 4,707 | 7,946 |
| Repairs and maintenance | 6,824 | 3,268 |
| Staff recruitment cost | 675 | 1,304 |
| Travelling and transportation expenses | 1,039 | 1,388 |
| Others | 4,194 | 3,579 |
| | <u>53,247</u> | <u>55,741</u> |

9 TAX (CREDIT)/EXPENSE

The provision for Hong Kong Profits Tax is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year ended 31 December 2021, except for a subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rate regime.

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2020.

Taxation for subsidiaries operating in other jurisdictions is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

| | 2021 <i>HK\$'000</i> (Unaudited) | 2020 <i>HK\$'000</i> (Audited) |
|-------------------------------------|--|--------------------------------------|
| Current tax — Hong Kong Profits Tax | | |
| — Current year | 14,014 | 29,085 |
| — Over provision in prior year | (2,746) | (20,215) |
| | <u>11,268</u> | <u>8,870</u> |
| Deferred tax | (14,350) | 1,000 |
| Total tax (credit)/expense | <u>(3,082)</u> | <u>9,870</u> |

10 (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share attributable to equity holders of the Company is based on the followings:

| | 2021 <i>HK\$'000</i> (Unaudited) | 2020 <i>HK\$'000</i> (Audited) |
|--|--|--------------------------------------|
| For purpose of basic and diluted (loss)/earnings per share | <u>(2,196,102)</u> | <u>103,250</u> |

Weighted average number of ordinary shares in issue less shares held for Share Award Scheme

| | 2021 (Unaudited) | 2020 (Audited) |
|--|----------------------|----------------------|
| For purpose of basic and diluted (loss)/earnings per share | <u>6,145,877,218</u> | <u>6,145,877,218</u> |

(Loss)/earnings per share for net (loss)/profit attributable to equity holders of the Company for the year

| | 2021 <i>HK cents</i> (Unaudited) | 2020 <i>HK cents</i> (Audited) |
|-------------------|--|--------------------------------------|
| Basic and diluted | <u>(35.733)</u> | <u>1.680</u> |

11 DIVIDENDS

Dividends payable to equity holders of the Company attributable to the year

| | 2021 <i>HK\$'000</i> (Unaudited) | 2020 <i>HK\$'000</i> (Audited) |
|---------------------------------------|--|--------------------------------------|
| Per ordinary share (2020: HK0.5 cent) | <u>—</u> | <u>30,985</u> |

12 LOANS TO MARGIN CLIENTS

| | As at 31 December 2021 <i>HK\$'000</i> (Unaudited) | As at 31 December 2020 <i>HK\$'000</i> (Audited) |
|---|--|--|
| Loans to margin clients | | |
| — Measured at fair value through profit or loss | <u>1,382,977</u> | <u>1,371,861</u> |

Note:

Margin clients are required to pledge securities collateral to the Group in order to obtain the credit facilities for securities trading. The amount of credit facilities granted to them is determined based on a comprehensive analysis including but not limited to loan-to-market and loan-to-marginable value ratios (“lending ratios”), concentration risk, illiquid collaterals and overall availability of funds. The Group exercises continuous monitoring on outstanding margin loans to see if the actual lending ratios have exceeded the pre-determined levels as a credit risk control mechanism. Any excess in the lending ratios will trigger a margin call where the clients have to make good the shortfall. As at 31 December 2021, the market value of securities pledged by margin clients to the Group as collateral was HK\$9,570,398,000 (31 December 2020: HK\$8,701,907,000) and the Group is permitted to sell collaterals provided by clients if they fail to fulfil margin calls. Loans to margin clients are repayable on demand and bear interest at commercial rates (normally at Hong Kong Dollar Prime Rate plus a spread).

13 ADVANCES TO CUSTOMERS FOR CORPORATE ACTIONS

| | As at 31 December 2021 <i>HK\$'000</i> (Unaudited) | As at 31 December 2020 <i>HK\$'000</i> (Audited) |
|---|--|--|
| Financial assets measured at amortised cost | 226,759 | 202,177 |
| Less: E.C.L. provisions | <u>(37,451)</u> | <u>(12,729)</u> |
| | <u>189,308</u> | <u>189,448</u> |

As of 31 December 2021 and 2020, the whole balance is classified as current assets.

14 OTHER LOANS

| | | As at 31 December 2021 <i>HK\$'000</i> (Unaudited) | As at 31 December 2020 <i>HK\$'000</i> (Audited) |
|---|--------------|--|--|
| | <i>Notes</i> | | |
| Other loans | | | |
| — Unsecured | (a) | 3,773,694 | 3,295,230 |
| — Secured | (a), (b) | <u>263,867</u> | <u>562,285</u> |
| | | 4,037,561 | 3,857,515 |
| Less: E.C.L. provisions | | <u>(2,439,503)</u> | <u>(518,615)</u> |
| | | <u><u>1,598,058</u></u> | <u><u>3,338,900</u></u> |
| Analysis of the net amount into current and non-current portions: | | | |
| Current | | 1,517,018 | 3,190,070 |
| Non-current | | <u>81,040</u> | <u>148,830</u> |
| | | <u><u>1,598,058</u></u> | <u><u>3,338,900</u></u> |

Notes:

- (a) The loans bear interest at fixed rates ranging from 6% to 12% (31 December 2020: 6.5% to 15%) per annum. The carrying amount of unsecured loan of HK\$729 million (31 December 2020: HK\$1,890 million) are from fellow subsidiaries of our ultimate beneficiary shareholder.
- (b) As at 31 December 2021 and 2020, the collaterals held by the Group for the secured loans mainly include shares of listed companies, shares and assets of private companies.

15 REVERSE REPURCHASE AGREEMENTS

| | As at 31 December 2021 <i>HK\$'000</i> (Unaudited) | As at 31 December 2020 <i>HK\$'000</i> (Audited) |
|------------------------------|--|--|
| Analysed by collateral type: | | |
| Bonds | 2,062 | 164,762 |
| Less: E.C.L. provisions | <u>(12)</u> | <u>(913)</u> |
| | <u>2,050</u> | <u>163,849</u> |

Reverse repurchase agreements are transactions in which the external investors sell a security to the Group and simultaneously agree to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is not exposed to substantially all the credit risks, market risks and rewards of those securities bought. These securities are not recognised in the consolidated financial statements but regarded as “collateral” because the external investors retain substantially all the risks and rewards of these securities.

As at 31 December 2021, the fair value of the collateral was HK\$5 million (31 December 2020: HK\$245 million).

16 ACCOUNTS RECEIVABLE

| | <i>Notes</i> | As at 31 December 2021 <i>HK\$'000</i> (Unaudited) | As at 31 December 2020 <i>HK\$'000</i> (Audited) |
|--|--------------|--|--|
| <i>Accounts receivable from dealings in securities, futures and options contracts</i> | | | |
| — Brokers and clearing houses | (a) | 424,867 | 513,742 |
| — Cash clients | (a) | 22,094 | 15,580 |
| — Clients for IPO subscription | (a) | — | 7,515 |
| Less: E.C.L. provisions | | <u>(10,229)</u> | <u>(8,794)</u> |
| | | <u>436,732</u> | <u>528,043</u> |
| <i>Accounts receivable from asset management, corporate finance and other businesses</i> | | | |
| — Clients | (a) | 22,689 | 27,120 |
| Less: E.C.L. provisions | | <u>(5,256)</u> | <u>(9,938)</u> |
| | | <u>17,433</u> | <u>17,182</u> |
| Accounts receivable, net | (b) | <u>454,165</u> | <u>545,225</u> |

Notes:

- (a) Amounts due from brokers, clearing houses and cash clients for the dealings in securities are required to be settled on the settlement dates of their respective transactions (normally two or three business days after the respective trade dates) and the amounts due from clients for IPO subscription are required to be settled upon the allotment of the securities subscribed. Amounts due from brokers and clearing houses for the dealings in futures and options contracts are repayable on demand (except for the required margin deposits for the trading of futures and options contracts). There are no credit periods granted to clients for its asset management, corporate finance and other businesses. The amounts due from cash clients after the settlement dates bear interest at commercial rates (normally at Hong Kong Dollar Prime Rate plus a higher spread than that of margin clients). The amounts due from clients for IPO subscription as at 31 December 2020 bear interest at around 4.5% per annum.
- (b) Ageing analysis of accounts receivable based on due date and net of E.C.L. provisions is as follows:

| | As at 31 December 2021 HK\$'000 (Unaudited) | As at 31 December 2020 HK\$'000 (Audited) |
|--------------------------|--|--|
| Current (not past due) | 6,103 | 10,426 |
| 1–30 days | 428,530 | 533,043 |
| 31–90 days | 7,233 | 951 |
| Over 90 days | 12,299 | 805 |
| Accounts receivable, net | <u>454,165</u> | <u>545,225</u> |

17 ACCOUNTS PAYABLE

| | | As at 31 December 2021 <i>HK\$'000</i> (Unaudited) | As at 31 December 2020 <i>HK\$'000</i> (Audited) |
|--|--------------|--|--|
| | <i>Notes</i> | | |
| <i>Accounts payable from dealings in securities, futures and options contracts</i> | | | |
| — Brokers and clearing houses | (a) | 39,188 | 41,465 |
| — Cash and margin clients | (a) | 1,495,810 | 1,907,475 |
| <i>Accounts payable from other businesses</i> | | | |
| — Clients | | 6,787 | 5,591 |
| | (b) | <u>1,541,785</u> | <u>1,954,531</u> |

Notes:

- (a) Accounts payable to brokers, clearing houses and cash clients are repayable on demand up to the settlement dates of their respective transactions (normally two or three business days after the respective trade dates) except for the required margin deposits received from clients for their trading of futures and options contracts. Accounts payable to margin clients are repayable on demand.
- (b) No ageing analysis in respect of accounts payable is disclosed as, in the opinion of the Board, the ageing analysis does not give additional value in view of the business nature.

18 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

- (a) On 11 March 2022, a subsidiary of the Group has issued a private guaranteed notes (the “Notes”) of HK\$21 million. The Notes carry an interest rate of 4% per annum, plus additional cash return (if any) to investors, shall mature on 10 September 2022 and are secured by a private equity fund held by the Group. Details of the term of the Notes were set out in the Company’s announcement dated on 11 March 2022.
- (b) On 25 March 2022, the Group and the assignee, an independent third party, entered into a deed of assignment pursuant to which the Group together with another assignor has agreed to sell and the buyer agreed to purchase the loan for an aggregate consideration of approximately HK\$321 million. The deal has not yet been completed as it has not become unconditional. Details of the transaction were set out in the Company’s announcement dated on 25 March 2022.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2021 (2020: HK0.5 cent).

MANAGEMENT DISCUSSION AND ANALYSIS

Macro Environment

The negative impact of COVID-19 on world economy continue to spill over into 2021. Fortunately, the positive effects of fiscal stimulus and supportive monetary policies rolled out by countries around the world to limit the damage of the pandemic and to kickstart the economy began to surface especially after vaccines were introduced which enabled the transition of living back to normalcy. Earnings of corporations grew in general, unemployment rates declined and economies rebounded. Many major stock markets posted significant positive return, with the S&P 500 and Dow Jones Industrial increased by about 26.9% and 18.7% respectively. However, the high energy prices, shortage of labour and supply chain pressure induced inflation and the US has already increased interest rates as a result. Although the impact of the pandemic is expected to continue to ease and international travelling and transportation resumes back to normal, there are downside risks from the reduction of bond purchase by the US Government, rising interest rate expectation and the crisis with Russia and Ukraine. The macro environment of the world is still full of changes and uncertainties.

Hong Kong Market Review

Hong Kong has been hard hit by the pandemic as international traveling continues to be severely restricted and stringent social distancing measures that severely impacted operations of many businesses. The number of visitors in 2021 was about 91,000, a drop of about 97.4% compared to 2020, and a drop of about 99.8% as compared to about 55.9 million visitors in 2019. However, Hong Kong's GDP grew 6.4% in 2021 after a 6.5% drop in 2020 as a result of support from various Government measures. In our opinion, despite many global stock markets recording strong gains, the Hong Kong stock market has been severely affected by the pandemic, the increase in stamp duty on stocks and the financial crisis of PRC real estate developers. The Hang Seng Index fell by about 14% to 23,397 points, while the average daily turnover of the Hong Kong stock market increased by about 29% YOY to HK\$166.7 billion. The IPO market in Hong Kong also suffered as it experienced a drop of about 17% in total funds raised in 2021. The Hong Kong market went down further after the turn of the year owing to the macro environment and the negative impact of the fifth wave of COVID-19.

Results and Overview

The Group's revenue decreased by 22% to HK\$858 million in 2021 (2020: HK\$1,105 million). Excluding the revenue stream of "investments and others business" of HK\$44 million in 2021 (2020: HK\$212 million), the revenue of other four business streams in 2021 amounts to HK\$814 million, which is approximately 9% less than HK\$893 million in 2020. Net loss for 2021 is around HK\$2,196 million as compared to net profit of HK\$103 million for 2020. The main reason for such loss was due to impairment provision and fair value changes in connected parties' loans and bonds. If we exclude these effects from connected parties, the Group's profit before tax in 2021 would be HK\$78 million (2020: HK\$253 million). The Group does not recommend the payment of any final dividend for 2021 (2020: HK0.5 cent per share).

Business Review

Our licensed businesses (including regulated activities licensed by the Securities and Futures Commission and money lending) experienced an approximately 8.8% drop in revenue from about HK\$893 million to about HK\$814 million, principally attributable to a drop in commission on dealings in futures and options contracts primarily as a result of tightened regulations affecting volume of business from clients in mainland China, and reduction in interest income from bonds measured at fair value through profit or loss and others. The Group is satisfied with the above results amidst the ongoing impact of COVID-19, the volatile Hong Kong stock market whereby the Hang Seng Index dropped by about 14% and drops in both primary and secondary fund raisings in Hong Kong.

Although our investments and others business recorded a gain of about HK\$44 million, it's over-shadowed by the bumper gain of about HK\$212 million in 2020.

Financial Review

As the financial performance from investments and others business are subject to high volatility, we have presented the following analysis of revenue of our licensed businesses to better understand our core operating businesses:

| Revenue | 2021 <i>HK\$ million</i> | 2021 <i>Proportion</i> | 2020 <i>HK\$ million</i> | 2020 <i>Proportion</i> | <i>Change</i> |
|---|-----------------------------|---------------------------|-----------------------------|---------------------------|---------------|
| Corporate finance business | 26 | 3% | 14 | 1% | 86% |
| Asset management business | 35 | 5% | 42 | 5% | (17%) |
| Brokerage business | 140 | 17% | 170 | 19% | (18%) |
| Interest income business | 613 | 75% | 667 | 75% | (8%) |
| Total income excluding investments and others business | <u>814</u> | <u>100%</u> | <u>893</u> | <u>100%</u> | (9%) |

Revenue from corporate finance business increased 86% while revenue from the other three businesses dropped 10% compared to 2020. The proportion of revenue from corporate finance business increased from 1% in 2020 to 3% in 2021. The proportion of revenue from brokerage business decreased from 19% in 2020 to 17% in 2021. The proportion of revenue from asset management business and interest income business remained unchanged at around 5% and 75% respectively.

Corporate Finance Business

The Group's corporate finance business comprises sponsorship for listing, financial advisory, financing consultation service, equity capital market and debt capital market. Revenue from corporate finance business has increased approximately 86% from HK\$14 million in 2020 to HK\$26 million in 2021. It mainly comes from increased sponsorship fees and underwriting revenue as compared to 2020.

Asset Management Business

In 2021, total revenue from asset management business recorded HK\$35 million, representing a decrease of 17% from HK\$42 million in 2020. The decrease was mainly due to the decrease in performance fee income from both funds and discretionary accounts from HK\$26.4 million in 2020 to HK\$18.1 million in 2021. Our asset management business at the end of 2021 included the management of China Tonghai China Focus Segregated Portfolio ("CTCF", a private fund incorporated in the Cayman Islands), China Tonghai Greater China UCITS fund ("UCITS", a European public fund registered in Luxemburg), private equity funds named Oceanwide Pioneer Limited Partnership, Oceanwide Elite Limited Partnership, China Tonghai Guaranteed Return Segregated Portfolio, China Tonghai Minsheng Trust A Shares Segregated Portfolio, CT Prime MMT Limited Partnership and various discretionary accounts managed by both

our asset management subsidiary and our securities subsidiary company, etc. A number of our asset management products have expired and our asset under management as at 31 December 2021 was about HK\$1 billion.

Brokerage Business

In 2021, total income from brokerage business recorded approximately HK\$140 million, a decrease of 18% from HK\$170 million in 2020, mainly due to the decrease in the commission income from global futures products. Commission income from dealing in Hong Kong securities decreased by 8% from HK\$67.4 million in 2020 to HK\$62.1 million in 2021, due to the decrease of our market share in the Hong Kong stock secondary market.

Interest Income Business

The Group's interest income business includes interest income from margin loans, interest income from other loans, interest income from proprietary investment business and interest income from treasury operation. Total revenue from interest income business in 2021 recorded HK\$613 million, representing a 8% decrease from HK\$667 million in 2020. The interest income from margin loans has reduced from HK\$159 million in 2020 to HK\$146 million in 2021 by 8% which was due to the drop in average margin loan amounts to clients and a reduction of interest rate charged to quality clients to stay competitive. The interest income from debt securities measured at fair value through profit or loss has dropped by 67% from HK\$82.4 million in 2020 to HK\$27.3 million in 2021 and the debt securities held at fair value through profit or loss has dropped from HK\$711 million as at 31 December 2020 to HK\$0 as at 31 December 2021. The interest income from debt securities measured at amortised cost has increased by 70% from HK\$37.6 million in 2020 to HK\$64.0 million in 2021. The balance before impairment allowance of debt securities held at amortised cost has increased from HK\$128 million as at 31 December 2020 to HK\$873 million as at 31 December 2021.

Investments and Others Business

Income from investments and others business has recorded HK\$44 million in 2021 as compared to HK\$212 million in 2020 as a result of lower gain on investments.

Expenses

In 2021, direct costs were about HK\$142 million, representing a 14% decrease from HK\$166 million in 2020. The decrease was mainly due to the decrease in commission expenses of our brokerage business. In 2021, staff costs recorded HK\$186 million, representing a 27% decrease from HK\$255 million in 2020 as a result of reduction of headcount and compensation.

In 2021, we recorded E.C.L. provisions of approximately HK\$2,583 million, representing a year-on-year increase of approximately 592% from HK\$373 million in 2020. Most of the impairment losses in 2021 were related to connected loans and bonds.

Finance cost in 2021 was HK\$62 million, representing a 44% drop from HK\$110 million in 2020 as a result of substantial reduction in bank and non-bank borrowings and the drop of short tenor HIBOR resulting in lower interest expenses.

Other Information

Capital Structure, Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flow as well as through the utilization of banking facilities and short-term notes. From time to time, the Company may raise funding by issuing new shares or debt instruments. The Group's cash level at the end of 2021 was around HK\$405 million (2020: HK\$214 million).

At the end of 2021, the Group's total borrowings amounted to HK\$1,503 million, decreased by 20% from HK\$1,873 million at the end of 2020. Borrowings mainly consisted of three components. The first component was utilized bank facilities of around HK\$1,187 million (2020: HK\$1,503 million), of which the Group had available aggregate banking facilities of around HK\$1,888 million (2020: HK\$3,849 million). Most of our banking facilities are based on putting our margin clients' stock as collaterals (commonly known as "margin loan") and are pledged by certain group assets. The second component was private notes issued by our listed company and loans from other parties, which amounted to HK\$316 million at the end of 2021 (2020: HK\$370 million). They were very short term instruments ranging from 30 days to 180 days. The third component was the obligations under repurchase agreements, which was Nil as at the end of 2021 (2020: HK\$2 million). At the end of 2021, the Group's gearing ratio (leverage) was 42% (2020: 33%), being calculated as total borrowings and lease liabilities over net assets. The increase in gearing ratio was due to the reduction in net assets as a result of the loss in 2021. The management has applied prudent risk and credit management on the borrowing. In addition, the Group is required to strictly follow regulatory re-pledging ratios and prudent bank borrowing benchmarks that govern the extent of bank borrowings in the securities margin lending business.

Material acquisitions, disposals and significant investments

For 2021, the Group had not made any material acquisitions and disposals of subsidiaries and associated companies other than that has been announced. As at the end of 2021, the Group did not hold any significant investments.

Charges on the Group's assets

At the end of 2021, assets of HK\$985 million (2020: HK\$1,409 million) were charged to banks and other lender for facilities.

Employees and remuneration policies

On 31 December 2021, the Group had 222 full time employees (2020: 249) in Hong Kong and 33 full time employees (2020: 33) in Mainland China. In addition, the Group has 85 self-employed sales representatives (2020: 76). Competitive total remuneration packages are offered to employees by reference to industry remuneration research reports, prevailing market practices and standards and individual merit. Salaries are reviewed annually, and discretionary bonuses are paid with reference to individual performance appraisals, prevailing market conditions and the Group's financial performance. Other benefits offered by the Group include a mandatory provident fund scheme, medical and health insurance.

Risk management

The Group's business is closely related to the economy and market fluctuation of Hong Kong and China, and indirectly affected by other overseas financial markets. To cope with the unpredictable market fluctuation and minimize risks, the Group takes preventive measures and establishes a risk management system with defined segregation of duty between business departments on the front line and internal control units such as the Internal Audit Department, Risk Management Department and Compliance Department. The Risk Management Department of the Group is responsible for overseeing all risk management functions. These functions include risk identification, risk limits setting, measurement and monitoring of risk limits, analysis of risk scenarios, and producing timely reports to the senior management. The Risk Management team also perform pre- and post-risk assessments on both asset and liability items.

Credit risk

Credit risk is the risk in respect of loss arising from incompetence of a borrower, counterparty or issuer of financial instruments to meet its obligation, or potential deterioration of credit ratings. The Group has Credit Risk Approving Policy and Post Lending Monitoring Policy in place to dictate procedures and approving authorities required for all credit applications relating to increases in credit risk. The credit risks of the Group mainly arise from five business areas: corporate finance business, asset management business, brokerage business, interest income business and propriety investment business. The Group's senior management and other executives have also set up different Business Assessment Committee to review and approve credit risky products/transactions within each of the business line. Advance IT systems are also utilized by the Group to conduct daily monitoring on credit and concentration risk limits.

Market risk

Market risk refers to potential losses due to market price movement of investment positions held, which includes interest rates risk, equity prices risk and foreign exchange rates risk. Risk Management Department is responsible for setting up market risk limits and investment guidelines for the Group's various business functions and their investment activities. Investments with potential market risks are, where appropriate, assessed and approved by Risk Management Department. Monitoring and assessments of market risks positions are conducted timely, and significant risks shall be reported to senior management to ensure the market risks of the Group is controlled within an acceptable level. The Group continues to modify the market risk models through periodic back-testing and stress scenarios tests.

Liquidity risk

Liquidity risk refers to the risk that the Group might face in obtaining sufficient capital and funds in a timely manner to meet its payment obligations and capital requirements for normal business activities. Treasury Department is responsible for management and allocation of funds for the Group. Finance Department has a monitoring system to ensure compliance to relevant rules, including Financial Resources Rules (FRR) and financial covenants of lending banks. In addition, the Group has maintained good relationships with banks to secure stable channels for short-term financing such as borrowings and repurchases. The Group may also raise short-term working capital through public and private offerings of corporate notes. The Group has also established a liquidity system to ensure it has sufficient liquid assets to meet any emergency liquidity needs.

Operational risk

Operational risk is the risk of financial loss arises mainly from negligence or omission of internal procedural management, information system failures or personnel misconduct of staffs. The Group actively schedules briefing sessions to improve risk awareness amongst employees, and instructs all departments to establish internal procedural and control guidelines. There is an Operational Risk Events Reporting procedure to ensure that all risk events are timely reported to the Risk, Compliance and IT Department for immediate implementation of remedial action. The Group has a Business Continuity Policy and has a special task force to deal with whatever emergency situations may arise which could pose operational risks to us.

Regulatory compliance risk

As a financial group operating regulated businesses, we endeavor to meet the stringent and evolving regulatory requirements, including but not limited to those related to investor interest protection and market integrity and stability maintenance. Our Compliance team works closely together with internal and external professionals, who has continually reviewed our internal control processes to reduce the regulatory risks.

Prospects

2022 began discouragingly with the war between Russia and Ukraine, the Hong Kong's fifth wave of COVID-19, inflation in western countries and stagflation in the PRC. Against this backdrop, we will focus our resources in maintaining the soundness and sustainability of our brokerage, corporate finance and asset management businesses, and improving our system efficiency and service quality. We shall closely monitor our credit exposure in non-margin loan to clients and has stopped to increase the principal amount lend to connected parties. In addition, we will review and reallocate our investment portfolios to adjust to the right risk appetite under the current macro-economic environment.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any listed securities of the Company.

CORPORATE GOVERNANCE PRACTICES

The Board considers that the Company has applied the principles and complied with the code provisions set out in Appendix 14 of the Listing Rules, titled "Corporate Governance Code", throughout the year ended 31 December 2021 and subsequent period up to the date of this announcement, following the Nomination Committee has been established on 16 March 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) under Appendix 10 of the Listing Rules. The code of conduct is also updated from time to time in order to keep abreast with the latest changes in the Listing Rules. It has also been extended to specific employees of the Company who are likely to be in possession of unpublished price sensitive information in respect of their dealings in the securities of the Company.

In response to specific enquiry, all of the Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by the Directors adopted by the Company throughout the year ended 31 December 2021.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited results for the year ended 31 December 2021 and the material differences, if any, as compared to the unaudited annual results contained herein, and (ii) the proposed date on which the forthcoming annual general meeting will be held. The Company expects the auditing process will be completed and the annual results will be agreed with the auditors of the Company on or before 14 April 2022.

AUDIT COMMITTEE REVIEW

The Audit Committee of the Company (which comprises a non-executive director and five independent non-executive directors) has reviewed the unaudited annual results of the Company for the year ended 31 December 2021 set out in this announcement.

PUBLICATION OF THE UNAUDITED RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The unaudited results announcement of the Group for the year ended 31 December 2021 is published on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.tonghaifinancial.com respectively. The Annual Report for the year ended 31 December 2021 of the Company will be despatched to the shareholders of the Company and made available on the above websites in due course.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

On behalf of the Board
China Tonghai International Financial Limited
HAN Xiaosheng
Chairman

Hong Kong, 30 March 2022

As at the date of this announcement, the Board of the Company comprises:

Executive Directors:

Mr. HAN Xiaosheng (*Chairman*)
Mr. FANG Zhou (*Deputy Chairman*)
Mr. LIU Hongwei
Mr. Kenneth LAM Kin Hing

Independent Non-executive Directors:

Mr. Roy LO Wa Kei
Mr. KONG Aiguo
Mr. LIU Jipeng
Mr. HE Xuehui
Mr. HUANG Yajun

Non-executive Directors:

Mr. LIU Bing
Mr. ZHAO Yingwei
Mr. ZHAO Xiaoxia