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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)

**FURTHER ANNOUNCEMENT OF THE AUDITED ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021
AND
PROPOSED ADOPTION OF THE NEW BYE-LAWS**

Reference is made to the announcement of China Tonghai International Financial Limited dated 30 March 2022 in relation to the unaudited annual results of the Group for the year ended 31 December 2021 (the “Unaudited Annual Results Announcement”) and the supplemental announcement of the Company dated 31 March 2022. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Unaudited Annual Results Announcement.

AUDITED ANNUAL RESULTS

The loss before tax for 2021 is HK\$2,199 million. If the ECL provisions and fair value changes from connected parties were excluded, our profit before tax would be HK\$78 million. These two figures are the same as disclosed in our Unaudited Annual Results Announcement.

The Board hereby announces that KPMG, the auditors of the Company, has completed its audit of the annual results of the Group for the year ended 31 December 2021 in accordance with the Hong Kong Standards on Auditing (“HKSA”) issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”). The audited annual results of the Group for the year ended 31 December 2021 are set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
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 (“ECL”) net charge		(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	(55,325)	(53,662)
Share of result of an associate		526	(206)
Share of results of joint ventures		1,552	(1,873)
(Loss)/profit before tax	7	(2,199,184)	113,120
Tax expense	9	(61,393)	(9,870)
Net (loss)/profit attributable to equity holders of the Company		<u>(2,260,577)</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	(36.782)	1.680
Dividend per share	11	—	<u>0.5</u>

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net (loss)/profit attributable to equity holders of the Company	<u>(2,260,577)</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>(2,263,437)</u></u>	<u><u>107,663</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2021			As at 31 December 2020		
		Current HK\$'000	Non-current HK\$'000	Total HK\$'000	Current HK\$'000	Non-current HK\$'000	Total HK\$'000
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 purchase 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
Tax recoverables		15,947	—	15,947	—	—	—
Deferred tax assets		—	15,525	15,525	—	72,265	72,265
TOTAL ASSETS		6,540,585	300,700	6,841,285	9,410,621	533,776	9,944,397
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		23,362	—	23,362	20,403	—	20,403
Deferred tax liabilities		—	860	860	—	7,475	7,475
TOTAL LIABILITIES		3,229,751	14,739	3,244,490	4,000,891	52,289	4,053,180
EQUITY							
Share capital				20,657			20,657
Reserves				3,576,138			5,870,560
TOTAL EQUITY				3,596,795			5,891,217
TOTAL LIABILITIES AND EQUITY				6,841,285	9,944,397		
<i>Net current assets</i>				<u>3,310,834</u>	<u>5,409,730</u>		

NOTES TO THE AUDITED 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.

Material uncertainty related to going concern

For the year ended 31 December 2021, the Group incurred a net loss attributable to the shareholders of the Company of HK\$2,261 million (2020: net profit of HK\$103 million). As at 31 December 2021, the Group’s bank and other borrowings of HK\$1,503 million were due for renewal or repayment within the next twelve months, while its cash and bank balances only amounted to HK\$405 million as at the same date.

As at 31 December 2021, the Group’s total other loans receivables and financial assets not held for trading (net of expected credit losses) amounted to HK\$1,870 million, of which HK\$996 million were due from certain related parties including the Company’s immediate holding company, Oceanwide Holdings International Financial Development Co., Ltd., intermediate holding company, Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司) and a fellow subsidiary, China Oceanwide Holdings Limited. These related parties experienced a series of credit default events such as debt defaults and lawsuits during the year, which indicated concerns about their liquidity and ability to refinance. On 21 October 2021, a creditor of the Company’s immediate holding company, Spring Progress Investment Solutions Limited, also appointed Mr. Cliff Tsui and Ms. So Kit Yee Anita of Ernst & Young Transactions Limited as joint and several receivers over around 4,098 million ordinary shares (approximately 66.13% ownership) of the Company.

The financial difficulties of the Company’s above-mentioned related parties raised significant concerns over recoverability and/or timing of any repayments of the amounts due from them for the next twelve months from 31 December 2021. In addition, these concerns may also affect the Group’s ability to raise additional funds, timely renew or extend its existing bank borrowings. Several of the Group’s banks have already requested reductions in banking facilities or lowered actual drawdown amount.

* *For identification purposes only*

All the above raised considerable concerns about the Group's financial soundness as the Group may encounter liquidity issues when and if its creditors take extreme actions. These events or conditions indicate the existence of material uncertainty which may cast doubt on the Group's ability to continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In view of the above circumstances, the directors have given careful consideration to future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will be able to finance its future working capital and financial requirements. Certain measures have been taken after 2021 to improve its liquidity, including but not limited to:

- (i) On 11 March 2022, the Group issued a private note of HK\$21 million collateralised by a private equity fund; and
- (ii) On 25 March 2022, the Group entered into a deed of assignment with an independent third party, pursuant to which the Group has conditionally agreed to sell and the independent third party has conditionally agreed to purchase a distressed loan and interest receivable with a gross amount as at 31 December 2021 of HK\$227 million for a consideration of HK\$199 million.

In addition, the Group plans to:

- (a) seek additional borrowings from banks, financial institutions and other counterparties (including mortgage one of its properties); and
- (b) raise additional financing whenever necessary, including but not limited to, issuance of new unsecured private notes and realisation of certain liquid investments.

The directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from the end of the reporting period. In the opinion of the directors, assuming the success of the above measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations when they fall due within the next twelve months from the end of the reporting period. Accordingly, the directors are of the opinion that it is appropriate to prepare these consolidated financial statements for the year ended 31 December 2021 on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group will be able to generate sufficient cash flows in time to repay the obligations when they fall due or are demanded to repay early. The sufficiency of the Group's working capital to satisfy its liquidity requirements for the next twelve months from 31 December 2021 may be affected by the financial soundness and negative news of the Group's immediate, intermediate and ultimate holding companies.

Should the Group be unable to operate as a going concern, adjustments would have to be made to adjust 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	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 (Restated)	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>	2020 <i>HK\$'000</i>
Reportable segment revenue	866,438	1,110,829
Elimination of inter-segment revenue	<u>(8,616)</u>	<u>(6,214)</u>
Consolidated revenue	<u>857,822</u>	<u>1,104,615</u>
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	<u>(6,800)</u>	<u>(6,082)</u>
Consolidated (loss)/profit before tax	<u><u>(2,199,184)</u></u>	<u><u>113,120</u></u>

Geographical information

The Group's operations are substantially located in Hong Kong and substantially all 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>	2020 <i>HK\$'000</i>
Oceanwide Holdings International Development III Co., Ltd*	<u>160,822</u>	<u>145,623</u>

* 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>	2020 <i>HK\$'000</i>
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>	2020 <i>HK\$'000</i>
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>	2020 <i>HK\$'000</i>
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 obtained funding support from subsidies scheme and programme under Anti-epidemic Fund set up by the Hong Kong SAR Government. 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>	2020 <i>HK\$'000</i>
Interest on bank borrowings	41,015	67,028
Interest on private notes	18,678	38,666
Interest on obligations under repurchase agreements	24	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>	2020 <i>HK\$'000</i>
(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>	2020 <i>HK\$'000</i>
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
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>55,325</u>	<u>53,662</u>

9 TAX 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>	2020 <i>HK\$'000</i>
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	50,125	1,000
Total tax expense	<u>61,393</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>	2020 <i>HK\$'000</i>
For purpose of basic and diluted (loss)/earnings per share	<u>(2,260,577)</u>	<u>103,250</u>

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

	2021	2020
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>	2020 <i>HK cents</i>
Basic and diluted	<u>(36.782)</u>	<u>1.680</u>

11 DIVIDENDS

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
NIL 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>	As at 31 December 2020 <i>HK\$'000</i>
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). As at 31 December 2021, the margin loan shortfall in accounting terms amounts to HK\$119 million (2020: HK\$75 million).

13 ADVANCES TO CUSTOMERS FOR CORPORATE ACTIONS

	As at 31 December 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
Financial assets measured at amortised cost	226,759	202,177
Less: ECL 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>	As at 31 December 2020 <i>HK\$'000</i>
	<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: ECL provisions		<u>(2,439,503)</u>	<u>(518,615)</u>
	(a), (c)	<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 due 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.
- (c) Out of the net balance of other loans of HK\$1,190 million as at 31 December 2021 remained unsettled as of the date the annual report was approved by the Board of directors. Out of which, HK\$655 million was due from related parties of the Group and the remaining balance of HK\$535 million was due from third parties borrowers. The loan agreements of these balances were matured and the Group is in the process of negotiations with the borrowers for renewals or settlement arrangements.

15 REVERSE REPURCHASE AGREEMENTS

	As at 31 December 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
Analysed by collateral type:		
Bonds	2,062	164,762
Less: ECL 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 collaterals was HK\$5 million (31 December 2020: HK\$245 million).

16 ACCOUNTS RECEIVABLE

	As at 31 December 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
	<i>Notes</i>	
<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: ECL 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: ECL 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 ECL provisions is as follows:

	As at 31 December 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
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>	As at 31 December 2020 <i>HK\$'000</i>
	<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 entered into a deed of assignment with an independent third party, pursuant to which the Group has conditionally agreed to sell and the independent third party has conditionally agreed to purchase a distressed loan and interest receivable with a gross amount as at 31 December 2021 of HK\$227 million for a consideration of HK\$199 million. Details of the transaction were set out in the Company’s announcement dated on 25 March 2022.
- (c) Several banks had requested reductions in their banking facilities/utilisation of banking facilities as at 31 December 2021. The Group has repaid bank borrowings of HK\$196 million during the first quarter of 2022.

19 RECLASSIFICATION

Certain comparative figures have been reclassified to conform to the current year presentation.

DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2021 had not been completed as at the date of publication of Unaudited Annual Results Announcement. Since subsequent adjustments have been made to the unaudited annual results of the Group contained in the Unaudited Annual Results Announcement upon the completion of audit, shareholders and potential investors of the Company are advised to pay attention to certain differences between the unaudited annual results of the Group contained in the Unaudited Annual Results Announcement and the audited annual results of the Group in this announcement. Set forth below are principal details and reasons for the differences in such financial information in accordance with Rule 13.49(3)(ii)(b) of the Listing Rules.

(i) Consolidated Statement of Financial Position

	Disclosure in this announcement As at 31 December 2021			Disclosure in the Unaudited Annual Results Announcement As at 31 December 2021			Differences HK\$'000	Notes
	Current HK\$'000	Non-current HK\$'000	Total HK\$'000	Current HK\$'000	Non-current HK\$'000	Total HK\$'000		
Tax recoverables	15,947	—	15,947	—	—	—	15,947	(a)
Deferred tax assets	—	15,525	15,525	—	79,140	79,140	(63,615)	(b)
Tax payables	23,362	—	23,362	7,415	—	7,415	(15,947)	(a)
Deferred tax liabilities	—	860	860	—	—	—	(860)	(b)

(ii) Consolidated Statement of Profit or Loss

	Disclosure in this announcement For the year ended 31 December 2021 HK\$'000	Disclosure in the Unaudited Annual Results Announcement For the year ended 31 December 2021 HK\$'000	Difference HK\$'000	Note
Tax expense/(credit)	61,393	(3,082)	(64,475)	(b)

Notes:

- (a) The difference in tax recoverables and tax payables of HK\$15,947,000 was due to the reclassification of the tax recoverables of a subsidiary.
- (b) The difference in tax expense of HK\$64,475,000 was due to the reversal of the deferred tax assets in relation to impairment of receivables.

Save as disclosed in this announcement and the corresponding adjustments in totals, percentages, ratios, and comparative figures related to the above differences, all other information contained in the Unaudited Annual Results Announcement remain unchanged.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

Below is an extract of the report by KPMG, the auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 31 December 2021.

Opinion

We have audited the consolidated financial statements of China Tonghai International Financial Limited (“the Company”) and its subsidiaries (“the Group”), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with of HKFRSs issued by HKICPA and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

Material Uncertainty Related to Going Concern

We draw attention to Note 2.2 to the consolidated financial statements, which indicates that the Group incurred a net loss of HK\$2,261 million attributable to the shareholders of the Company during the year ended 31 December 2021. As at 31 December 2021, the Group's bank and other borrowings of HK\$1,503 million were due for renewal or repayment within the next twelve months, while its cash and bank balances only amounted to HK\$405 million as at the same date. In addition, the Group's related parties, including the immediate holding company, intermediate holding company and a fellow subsidiary, experienced a series of credit default events such as debt defaults and lawsuits during the year, which indicated concerns about repayment of the amounts due from them and may affect the Group's ability to raise additional funds or renew/extend its existing borrowings. These events or conditions, along with other matters as set forth in Note 2.2 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

THE AUDIT COMMITTEE AND REVIEW OF PRELIMINARY ANNOUNCEMENT BY KPMG

The Audit Committee of the Company has reviewed the audited annual results of the Company for the year ended 31 December 2021. The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by KPMG, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by KPMG on this announcement.

PROPOSED ADOPTION OF THE NEW BYE-LAWS

The Board proposes to amend the existing bye-laws of the Company (the "Existing Bye-laws") and to adopt a new set of bye-laws ("New Bye-laws") for the purpose of, among others, to (i) provide for flexibility for the Company to convene and hold electronic meetings; (ii) to conform to the core shareholder protection standards as set out in Appendix 3 of the Listing Rules; and (iii) incorporate other consequential and housekeeping amendments to update or clarify provisions of the Existing Bye-laws where it is considered fit and desirable.

A summary of the major areas of the proposed amendments that will be incorporated in the New Bye-laws are set out below:

1. to allow all general meetings (including an annual general meeting and any adjourned or postponed meeting) to be held as a physical meeting in any part of the world and at one or more locations, or as a hybrid meeting or an electronic meeting;
2. to insert the definitions of "electronic means", "electronic meeting", "electronic communication", "hybrid meeting", "Meeting Location", "physical meeting" and "Principal Meeting Place", etc, and make corresponding changes to the relevant provisions of the Existing Bye-laws;
3. to include additional details to be specified in a notice of general meeting in light of allowing general meetings to be held at one or more meeting locations, or as a hybrid meeting or an electronic meeting;
4. to provide that the Company must hold an annual general meeting in each financial year and such annual general meeting must be held within six months after the end of the Company's financial year;

5. to provide that an annual general meeting of the Company must be called by notice of not less than twenty-one clear days, while all other general meetings (including a special general meeting) shall be called by notice of not less than fourteen clear days;
6. to provide that all shareholders of the Company (the “Shareholders”) shall have the right to (i) speak at a general meeting of the Company; and (ii) vote at a general meeting of the Company, except where a Shareholder is required, by the Listing Rules, to abstain from voting to approve the matter under consideration;
7. to provide that any Director appointed by the Board to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election;
8. to provide that the Board may from time to time pay to the Shareholders interim dividends or make to the Shareholders such distributions out of such distributable funds of the Company (including contributed surplus account) as appear to the Board to be justified by the financial position of the Company;
9. to provide that the Board may resolve to capitalize all or any part of any amount for the time being standing to the credit of any reserve or fund (including the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including Directors) of the Company and/or its affiliate upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the Shareholders, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the Shareholders at a general meeting;
10. to provide that the Shareholders may approve the removal of the auditor of the Company at any time before the expiration of his term of office by way of extraordinary resolution;

11. to update the provision regarding the appointment of the auditor of the Company to fill any casual vacancy in the office of the auditor of the Company that any such auditor appointed shall hold office until the next following annual general meeting of the Company and shall then be subject to appointment by the Shareholders;
12. to update the name of the “Company” to “China Tonghai International Financial Limited 中國通海國際金融有限公司”; and
13. to make other miscellaneous amendments to update or clarify the provisions of the Bye-laws where it is considered desirable or to better align the wordings with the Listing Rules and the applicable laws of Bermuda.

In view of the number of amendments proposed to be made to the Existing Bye-laws, the Board proposes that the New Bye-laws which consolidate all the proposed amendments to the Existing Bye-laws be adopted as the bye-laws of the Company in substitution for, and to the exclusion of, the Existing Bye-laws.

The proposed amendments to the Existing Bye-laws and adoption of the New Bye-laws are subject to the approval of the Shareholders by way of passing a special resolution to be proposed at the forthcoming annual general meeting (the “AGM”) of the Company scheduled to be held on Friday, 24 June 2022.

A circular containing, among other things, details of the proposed amendments to the Existing Bye-laws and adoption of the New Bye-laws will be despatched to the Shareholders in due course together with a notice of the AGM.

ANNUAL GENERAL MEETING AND RECORD DATE

The AGM will be held on Friday, 24 June 2022 at 11:00 a.m. The Board has fixed 4:30 p.m. on Monday, 20 June 2022 as the record time and date for ascertaining the entitlement of the Shareholders to attend and vote at the AGM. All transfers of the shares of the Company accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Monday, 20 June 2022.

PUBLICATION OF ANNUAL REPORT

The annual report for the year ended 31 December 2021 of the Company will be despatched to the Shareholders and made available 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, on or before 30 April 2022.

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

Hong Kong, 14 April 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