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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board of directors (the "Board" or "Directors") of China Tonghai International Financial Limited (the "Company") presents the unaudited interim results of the Company and its subsidiaries (together, the "Group") for the six months ended 30 June 2018, together with the comparative figures for the previous financial period, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	**Six months ended 30 June 2018** ***HK$'000*** **(Unaudited)**	Six months ended 30 September 2017 *HK$'000* (Unaudited)
Fee and commission income	4	**167,642**	166,517
Interest income	4	**171,702**	37,674
Net investment income	4	**(71,243)**	19,971
Total revenue	4	**268,101**	224,162
Other operating income and net gains/(net losses)	5	**8,917**	(3,846)
Cost of services provided		**(100,451)**	(89,031)
Staff costs	6	**(85,396)**	(64,053)
Depreciation and amortisation	6	**(5,046)**	(4,312)
Other operating expenses		**(37,088)**	(31,355)
Finance costs		**(11,921)**	(6,621)
Share of results of an associate		**—**	2,207
Share of results of joint ventures		**397**	(1,177)
Profit before income tax	6	**37,513**	25,974
Income tax expense	7	**(6,755)**	(4,522)
Profit for the period, attributable to owners of the Company		**30,758**	21,452
		HK cent(s)	*HK cent(s)*
Earnings per share for profit attributable to owners of the Company for the period			
— Basic and diluted	9	**0.495**	0.726

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2018 *HK$'000* **(Unaudited)**	Six months ended 30 September 2017 *HK$'000* (Unaudited)
Profit for the period	**30,758**	21,452
Other comprehensive income, including reclassification adjustments		
Item that may be reclassified subsequently to profit or loss		
— Exchange (loss)/gain on translation of financial statements of foreign operations	**(573)**	1,577
Items 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	**(204)**	(433)
Other comprehensive income for the period, including reclassification adjustments and net of tax	**(777)**	1,144
Total comprehensive income for the period, attributable to owners of the Company	**29,981**	22,596

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2018 HK$'000 (Unaudited)	As at 31 December 2017 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Leasehold improvements and equipment		**16,381**	13,483
Investment properties		**10,800**	10,200
Goodwill		**14,695**	14,695
Development costs		**3,530**	4,260
Other intangible assets		**1,451**	1,543
Financial assets measured at fair value through other comprehensive income		**11,411**	11,615
Interests in joint ventures		**41,853**	42,028
Other assets		**18,201**	23,619
Other financial assets measured at amortised cost		**492,922**	458,333
Financial assets measured at fair value through profit or loss		**121,912**	88,007
Deferred tax assets		**4,866**	6,612
Deposits for subscription of shares		**—**	46,910
Deposits for leasehold improvements and equipment		**858**	1,458
		738,880	722,763
Current assets			
Accounts receivable	10	**720,482**	812,991
Margin loans	11	**2,215,168**	2,130,082
Other financial assets measured at amortised cost		**1,726,838**	889,240
Prepayments, deposits and other receivables		**66,478**	27,797
Financial assets measured at fair value through profit or loss		**1,864,401**	1,505,119
Tax recoverable		**1**	1,657
Trust time deposits held on behalf of clients		**800,000**	661,014
Trust bank balances held on behalf of clients		**688,673**	776,209
Cash and cash equivalents		**560,671**	1,074,932
		8,642,712	7,879,041

	Notes	As at 30 June 2018 HK$'000 (Unaudited)	As at 31 December 2017 HK$'000 (Audited)
Current liabilities			
Accounts payable	12	**2,093,441**	2,177,557
Obligations under repurchase agreements		**34,434**	305,708
Bank and other borrowings		**1,312,556**	255,940
Contract liabilities		**3,070**	—
Accruals and other payables		**108,687**	118,480
Tax payables		**12,000**	6,696
		3,564,188	2,864,381
Net current assets		***5,078,524***	*5,014,660*
Non-current liabilities			
Bank and other borrowings		**50,000**	—
Net assets		**5,767,404**	5,737,423
EQUITY			
Equity attributable to Company's owners			
Share capital		**20,740**	20,740
Reserves		**5,746,664**	5,716,683
Total equity		**5,767,404**	5,737,423

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited interim financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and complies with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and with applicable requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation that have been used in the preparation of these condensed consolidated interim financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the period from 1 April 2017 to 31 December 2017, except for the adoption of new and amended Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations.

During the interim period, the Group has adopted all the new and amended HKFRSs which are first effective for the reporting period. Except as explained below, the adoption of new and amended HKFRSs has no material impact on the Group's financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 9 (2014), Financial Instruments

The Group has applied HKFRS 9 (2014) "Financial Instruments" in accordance with the transition provisions. HKFRS 9 (2014) introduces (i) limited amendments to the classification and measurement requirements of financial assets by introducing a "fair value through other comprehensive income" measurement category for certain simple debt instruments and (ii) new requirements for the impairment for financial assets. Details of these new requirements as well as their impact on the Group's condensed consolidated financial statements are described below.

In addition, as a result of the adoption of HKFRS 9, the Group adopted consequential amendments to HKAS 1 "Presentation of Financial Statements" which requires interest revenue calculated using the effective interest method to be presented separately from revenue to be presented in separate line items in the statement of profit or loss. Previously, the Group included interest revenue in "Revenue".

Amendments to classification and measurement of financial assets

The date of initial application (i.e. the date on which the Group has assessed its existing financial assets in terms of the requirements of HKFRS 9 (2014)) is 1 January 2018. Accordingly, the Group has applied the requirements of HKFRS 9 (2014) to instruments that have not been derecognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018 in accordance with the transition requirements. Comparative amounts in relation to instruments that have not been derecognised as at 1 January 2018 have not been restated.

Prior to the adoption of HKFRS 9 (2014), all recognised financial assets that are within the scope of HKFRS 9 (2014) are subsequently measured at amortised cost or at fair value through profit or loss ("FVTPL"). Under HKFRS 9 (2014), debt investments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at fair value through other comprehensive income ("FVTOCI"). When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

The Group's management assessed the Group's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of HKFRS 9 (2014) has no impact on the Group's financial assets as regards their classification and measurement.

Impairment of financial assets

In relation to the impairment of financial assets, HKFRS 9 (2014) requires an expected credit loss model as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

In particular, HKFRS 9 (2014) requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit loss ("ECL") if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

HKFRS 9 (2014) also provides a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for accounts receivable, contract assets and lease receivables in certain circumstances. Under HKFRS 9 (2014), the ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. The Group considers that an event of default occurs when there is a breach of financial covenants by the counterparty; or information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group). Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- significant increases in credit risk on other financial instruments of the same debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade".

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

The measurement of expected credit losses is a probability-weighted estimate of credit losses. Credit loss is estimated as the difference between the cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group's management assessed the impairment of Group's existing financial assets using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9 (2014) to determine the credit risk of the respective items at the date they were initially recognised, and compared that to the credit risk as at 1 January 2018. The Group's management concluded that for financial assets subject to ECL impairment, no material impairment loss was recognised at 30 June 2018 given that most of the financial instruments carried at amortised cost are either placed with banks with high credit rating or counterparties with strong background and settlement history.

Classification and measurement of financial liabilities

One major change introduced by HKFRS 9 (2014) in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, HKFRS 9 (2014) requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised.

As the Group did not designate any financial liabilities at FVTPL as at 1 January 2018, the application of HKFRS 9 (2014) has had no impact on the classification and measurement of the Group's financial liabilities.

HKFRS 15, Revenue from Contracts with Customers

In the current period, the Group has applied HKFRS 15 "Revenue from Contracts with Customers" (as amended in April 2016). HKFRS 15 introduces a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios.

The Group has applied HKFRS 15 in accordance with the modified retrospective transitional approach whereby the cumulative effect of initially applying HKFRS 15 for uncompleted contracts with customers as at 31 December 2017 are adjusted at the opening balance of equity as at 1 January 2018 and prior period comparatives are not restated.

"Contract asset" and "contract liability" were introduced under HKFRS 15. If the Group recognises the related revenue before receiving the consideration or being unconditionally entitled to the consideration for the promised goods or services in contract, the entitled consideration is classified as a contract asset. When a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue, a contract liability is recognised. Previously, contract liabilities were presented in the statement of financial position under "Accruals and other payables". Following the application of HKFRS 15, deferred revenue of HK$4,787,000 which were previously included in "Accruals and other payables" as at 1 January 2018 are now included under "Contract liabilities".

In addition, as required for the condensed interim financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

Apart from the above reclassification and providing more extensive disclosures on the Group's revenue transactions, the application of HKFRS 15 has not had a significant impact on the financial position and/or financial performance of the Group.

3. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major service lines.

The Group has identified the following reportable segments:

(a) the brokerage and interest income segment engages in discretionary and non-discretionary dealing services for securities, futures and options, margin financing and money lending services, insurance broking and wealth management services;

(b) the corporate finance segment engages in securities placing and underwriting services, corporate finance advisory and general advisory services;

(c) the asset management segment engages in fund management, discretionary portfolio management and portfolio management advisory services;

(d) the investments segment engages in investing and trading of various investment products; and

(e) the others segment represents financial media services and other insignificant operating segments.

Following the change in the composition of the reportable segments, the corresponding segmental information for the six months ended 30 September 2017 has been restated to conform with the current interim period's presentation.

Six months ended 30 June 2018 (Unaudited)

	Brokerage and interest income *HK$'000*	**Corporate finance** *HK$'000*	**Asset management** *HK$'000*	**Investments** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Reportable segment revenue:						
Fee and commission income	**117,914**	**29,469**	**12,871**	**—**	**7,388**	**167,642**
Interest income	**171,702**	**—**	**—**	**—**	**—**	**171,702**
Net investment income	**—**	**—**	**—**	**(71,243)**	**—**	**(71,243)**
Segment revenue from external customers	**289,616**	**29,469**	**12,871**	**(71,243)**	**7,388**	**268,101**
Inter-segment revenue	**3,115**	**1,400**	**5,560**	**—**	**2,644**	**12,719**
Reportable segment revenue	**292,731**	**30,869**	**18,431**	**(71,243)**	**10,032**	**280,820**
Fee and commission income by timing of revenue recognition:						
Point in time	**117,914**	**11,879**	**—**	**—**	**2,115**	**131,908**
Over time	**—**	**17,590**	**12,871**	**—**	**5,273**	**35,734**
Fee and commission income	**117,914**	**29,469**	**12,871**	**—**	**7,388**	**167,642**
Reportable segment result	**109,243**	**9,804**	**2,375**	**(83,645)**	**1,444**	**39,221**

Six months ended 30 September 2017 (Unaudited and restated)

	Brokerage and interest income *HK$'000*	Corporate finance *HK$'000*	Asset management *HK$'000*	Investments *HK$'000*	Others *HK$'000*	Total *HK$'000*
Reportable segment revenue:						
Fee and commission income	112,521	37,989	9,684	—	6,323	166,517
Interest income	37,674	—	—	—	—	37,674
Net investment income	—	—	—	19,971	—	19,971
Segment revenue from external customers	150,195	37,989	9,684	19,971	6,323	224,162
Inter-segment revenue	2,625	2,005	211	—	3,999	8,840
Reportable segment revenue	152,820	39,994	9,895	19,971	10,322	233,002
Fee and commission income by timing of revenue recognition:						
Point in time	112,521	1,530	—	—	918	114,969
Over time	—	36,459	9,684	—	5,405	51,548
Fee and commission income	112,521	37,989	9,684	—	6,323	166,517
Reportable segment result	3,281	23,491	(1,921)	11,721	(1,738)	34,834

The total of the Group's reportable segment result is reconciled to the Group's profit before income tax as follows:

	Six months ended 30 June 2018	Six months ended 30 September 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Reportable segment result	**39,221**	34,834
Gain on revaluation of investment properties	**600**	660
Other operating income and gains	**2,547**	2,842
Share of results of joint ventures	**397**	(1,177)
Unallocated corporate expenses	**(5,252)**	(11,185)
Profit before income tax	**37,513**	25,974

Note:

Included in unallocated corporate expenses are HK$837,000 (30 September 2017: HK$6,127,000), representing payment to certain employees under a phantom share scheme. Under a phantom share scheme adopted in August 2016, certain employees are entitled an awarded cash payment, 50% of which are payable when the awardees remain as employees of the Group upon a change of control of the Company and the remaining 50% will be payable upon completion of 12 months' service with the Group following the change of control or being terminated by the Group without cause during the 12 months' service period.

4. REVENUE

	Six months ended 30 June 2018 HK$'000 (Unaudited)	Six months ended 30 September 2017 HK$'000 (Unaudited)
Brokerage business		
Fee and commission income:		
— Commission on dealings in securities		
— Hong Kong securities	**38,042**	36,436
— Other than Hong Kong securities	**4,914**	2,362
— Commission on dealings in futures and options contracts	**67,645**	65,386
— Handling, custodian and other service fee income	**7,313**	8,337
	117,914	112,521
Interest income business		
Interest income:		
— Interest income from loans to margin clients	**75,743**	28,851
— Interest income from trust bank deposits	**5,126**	2,775
— Interest income from initial public offering loans	**594**	133
— Interest income from structured loans	**61,675**	2,809
— Interest income from banks and others	**28,564**	3,106
	171,702	37,674
Corporate finance business		
Fee and commission income:		
— Placing and underwriting	**7,604**	150
— Financial advisory services	**21,865**	37,839
	29,469	37,989
Asset management business		
Fee and commission income:		
— Asset management and performance fee	**12,871**	9,684
Investments and others business		
Fee and commission income:		
— Financial media service fee income	**7,388**	6,323
Net investment income:		
— Net realised and unrealised (loss)/gain on financial assets measured at fair value through profit or loss	**(75,350)**	19,478
— Dividend from financial assets measured at fair value through profit or loss	**4,023**	374
— Dividend from financial assets measured at fair value through other comprehensive income held at the end of the reporting period	**84**	119
	(63,855)	26,294
Total revenue	**268,101**	224,162

5. OTHER OPERATING INCOME AND NET GAINS/(NET LOSSES)

	Six months ended 30 June 2018 ***HK$'000*** **(Unaudited)**	Six months ended 30 September 2017 *HK$'000* (Unaudited)
Changes in net asset value attributable to other holders of a consolidated investment fund	**4,299**	(6,972)
Exchange gains, net	**3,189**	1,700
Gain on revaluation of investment properties	**600**	660
Sundry income	**829**	766
	8,917	(3,846)

6. PROFIT BEFORE INCOME TAX

	Six months ended 30 June 2018 ***HK$'000*** **(Unaudited)**	Six months ended 30 September 2017 *HK$'000* (Unaudited)
Profit before income tax is arrived at after charging:		
Staff costs		
— Fees, salaries, allowances, bonuses and benefits in kind	**82,413**	59,761
— Retirement benefits scheme contributions	**2,239**	1,898
— Other staff benefits	**744**	2,394
	85,396	64,053
Depreciation and amortisation		
— Development costs and other intangible assets	**1,102**	1,110
— Leasehold improvements and equipment	**3,944**	3,202
	5,046	4,312
Other items		
— Impairment of accounts receivable	**153**	15
— Net losses on disposals of leasehold improvements and equipment	**142**	1

7. INCOME TAX EXPENSE

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporations are taxed 8.25%, and profits above HK$2 million are taxed at 16.5%. The profits of corporation not qualifying the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

For the six months ended 30 June 2018, Hong Kong profits tax is calculated in accordance with the two-tiered profits tax rates regime. For the six months ended 30 September 2017, Hong Kong profits tax was provided at a flat rate of 16.5% on the estimated assessable profits.

Tax on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 June 2018 *HK$'000* **(Unaudited)**	Six months ended 30 September 2017 *HK$'000* (Unaudited)
Current tax — Hong Kong		
— Current period	**(5,193)**	(4,012)
— Under provision in prior year	**(25)**	—
	(5,218)	(4,012)
Deferred tax		
— Origination and reversal of temporary differences	**(1,537)**	(510)
	(1,537)	(510)
Total income tax expense	**(6,755)**	(4,522)

8. DIVIDENDS

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2018 (30 September 2017: Nil).

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the followings:

Earnings

	Six months ended 30 June 2018	Six months ended 30 September 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
For purpose of basic and diluted earnings per share	**30,758**	21,452

Weighted average number of ordinary shares in issue less shares held for share award scheme

	Six months ended 30 June 2018	Six months ended 30 September 2017
	Number of shares	*Number of shares*
	(Unaudited)	(Unaudited)
For purpose of basic earnings per share	**6,219,887,218**	2,955,854,263
Effect of warrants	**—**	5,894
For purpose of diluted earnings per share	**6,219,887,218**	2,955,860,157

10. ACCOUNTS RECEIVABLE

	Notes	As at 30 June 2018 HK$'000 (Unaudited)	As at 31 December 2017 HK$'000 (Audited)
Accounts receivable from dealings in securities, futures and options contracts			
— Brokers and clearing houses	(a)	**656,451**	771,640
— Clients for subscription of securities	(a)	**49,808**	15,425
— Cash clients	(a)	**6,123**	12,684
Accounts receivable from asset management, advisory and other services			
— Clients	(a)	**12,188**	21,410
		724,570	821,159
Less: provision for impairment	(b)	**(4,088)**	(8,168)
		720,482	812,991

Notes:

(a) Amounts due from brokers, clearing house 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 subscription of securities 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 terms granted to clients for its asset management, advisory and other services. The amounts due from clients for subscription of securities as at 30 June 2018 bear interest at a fixed rate of 2.0% to 3.0% (31 December 2017: 2.0%) per annum. The amounts due from cash clients after the settlement dates bear interest at commercial rates (normally at Hong Kong Dollar Prime Rate plus a spread).

(b) The Group has a policy for provision for impairment which is based on the evaluation of collectability, ageing analysis of accounts and management's judgement including the creditworthiness and the past collection history of each client.

(c) Ageing analysis of accounts receivable based on due date and net of provision for impairment is as follows:

	As at 30 June 2018 HK$'000 (Unaudited)	As at 31 December 2017 HK$'000 (Audited)
Repayable on demand	**—**	619
0–30 days	**712,590**	803,761
31–60 days	**3,305**	4,236
61–90 days	**488**	622
91–180 days	**1,942**	2,888
181–360 days	**2,119**	101
Over 360 days	**38**	764
	720,482	812,991

11. MARGIN LOANS

	As at 30 June 2018 HK$'000 (Unaudited)	As at 31 December 2017 HK$'000 (Audited)
Loans to margin clients	**2,215,168**	2,145,556
Less: provision for impairment	**—**	(15,474)
	2,215,168	2,130,082

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 of outstanding margin loans to see if the 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 which the clients have to make good the shortfall. As at 30 June 2018, the market value of securities pledged by margin clients to the Group as collateral was HK$10,601,264,000 (31 December 2017: HK$11,593,398,000) and the Group is permitted to sell these collaterals if the client defaults in payments. The loans to margin clients are repayable on demand and bear interest at commercial rates (normally at Hong Kong Dollar Prime Rate plus a spread).

12. ACCOUNTS PAYABLE

	Notes	As at 30 June 2018 HK$'000 (Unaudited)	As at 31 December 2017 HK$'000 (Audited)
Accounts payable from dealings in securities, futures and options contracts			
— Brokers and clearing house	(a)	**22,550**	48,975
— Cash clients	(a)	**792,850**	663,527
— Margin clients	(b)	**1,275,101**	1,462,000
Accounts payable from financial information and other services			
— Clients	(c)	**2,940**	3,055
		2,093,441	2,177,557

Notes:

(a) Accounts payable to brokers, clearing house 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).

(b) Accounts payable to margin clients are repayable on demand except for the required margin deposits received from clients for their trading of futures and options contracts.

(c) No ageing analysis in respect of accounts payable is disclosed as, in the opinion of the directors, the ageing analysis does not give additional value in view of the business nature.

RESULTS AND OVERVIEW

For the six months ended 30 June 2018 (the "Interim Period"), the Group recorded an after-tax profit of around HK$30.76 million (interim period in 2017: HK$21.45 million), representing an increase of 43%. The Group's revenue increased by 20% to HK$268 million for the Interim Period (interim period in 2017: HK$224 million). Excluding investment loss of HK$71.24 million (interim period in 2017: HK$19.97 million of investment income), revenue from other businesses amounted to HK$339 million, representing an increase of 66% as compared to the HK$204 million on the same basis in the interim period in 2017. This investment loss was mainly due to fair value change of securities investment. The Group changed the financial year end date to 31 December 2017, whereas the comparative figures for interim period last year was based on 1 April to 30 September 2017.

The Board resolved not to declare the payment of interim dividend for the Interim Period.

MACRO ENVIRONMENT

According to a recent report from the International Monetary Fund (IMF), the global economic growth of this year and next year is projected to reach 3.9% but the disparity in economic expansion is widening and the risks to the growth prospects are mounting, which are mainly due to the recent announcement and anticipated implementation of tariff increase policies by the US and retaliatory measures by trading partners. During the period under review, the global financial market remains volatile after significant adjustments in major stock markets around the globe. Investors are unsettled by uncertainties arising from the escalating trade disputes between the US and the PRC, risk of geopolitics in multiple regions and contrary policies from primary central banks. It is expected that in the remaining period of the second half of the year, uncertainties will continue to loom over the global market. In the first half of this year, the primary stock market experienced dissimilar development, among which the US Nasdaq Stock Market Index increased by 8.8%, while Hong Kong Hang Seng Index dropped by 3.2% in the same period.

Mainland China's economy remained stable with an increase of 6.8% in gross domestic product for the first half of this year. While a double-digit growth was recorded in trade, continuous economic de-leveraging resulted in further slowdown in investment growth. Despite the worries casted by future international trade policies over the market, it is believed that Mainland China's economy will be able to maintain stability. The contribution to economic growth made by consumption continued to rise, with its contribution rate increased to 78.5% in the first half of the year, 14.2% higher than that in the same period last year, thereby becoming the strongest driving force for the economic growth of Mainland China. With surging domestic demand in Mainland China during recent years, the growth engine of Mainland China's economy continued to shift towards consumption. In the first half of the year, total retail sales of consumer goods amounted to RMB18 trillion, representing a period-on-period increase of 9.4%. In particular, consumption upgrade was gaining momentum, while online consumption and service consumption accounted for an increasing share. Meanwhile, driven by factors such as the increase of income per capita and the enhancement of social security system, the per capita consumption expense of Mainland China in the first half of the year experienced a year-on-year nominal increase of 8.8% to RMB9,609, 1.2% higher than that in the previous quarter.

HONG KONG STOCK MARKET

During the Interim Period, the Hang Seng Index had a fluctuating trend. The upward trend by the end of last year carried forward at the beginning of this year and reached its highest at 33,154 on 26 January, but subsequently stumbled to the lowest during the Interim Period on 27 June at 28,356, with a volatility rate of 4,798. The Hang Seng Index recorded 28,955 by the end of June 2018, representing a year-on-year increase of 12.4% but a drop of 3.2% as compared to that by the end of December 2017. As at the end of June 2018, the total Hong Kong Stock Market capitalisation amounted to around HK$32.8 trillion. Under the increasing volatility in global markets, the average daily turnover of the secondary stock market in Hong Kong increased to HK$126.6 billion, 67% higher than that in the first half of 2017. During the same period, the average daily turnover of the futures and options of Hong Kong Derivatives Market amounted to around 1.233 million contracts, around 58% higher than that in the first half of 2017. In the first half of 2018, there were 108 newly listed companies in the Hong Kong market[#], increasing by around 50% from 72 in the first half of 2017. Total equity funds raised during the period, including funds raised from initial listing, amounted to around HK$189.8 billion, representing an increase of around 8.9% as compared to around HK$174.3 billion in the first half of 2017.

BUSINESS REVIEW

Upon the completion of the rights issue in the second half of last year, the Group deployed over HK$5 billion of equity and moderate leverage to propel various businesses in this year. In the first half of this year, the Group expanded business scope through enhancing the capital fund of the securities company, developed new asset management products to meet client needs, restructured securities sales team to facilitate development of corporate finance business, enhanced the asset management business through the establishment of guaranteed fund, continued to provide capital to support the debt capital market business and continued to expand structured finance loans to enlarge loan portfolios and diversify risks, including the senior notes of mezzanine loan invested in real estate projects. The Group also prudently granted loans to selected quality major shareholders of listed companies with controllable risks financing loans and invested in shares of high-quality and industry leading listed

[#] *Including companies on the Main Board and the GEM (the number of listed companies that were transferred from the GEM to the Main Board is included).*

companies to attain a stable return. For the Interim Period, investment loss arose from the fair value change of a single stock. In the light of this, the Company actively strengthened its risk control, reduced its proprietary investments in fund, suspended its participation in the issuance of high-risk bonds, suspended funding support for the debt capital market business in the past three months and successfully obtained significant amount of banking facilities from banks other than those we worked together in the past, which will mitigate impact from market volatility on the Company and increase the liquidity for future business.

In respect of operating targets, in the first half of this year, the Group's market share in the secondary market of Hong Kong Stock Market decreased but average daily turnover of the overall market had a significant period-on-period increase, resulting in a slight increase in the absolute amount of our commission income. At the end of June 2018, the Group's balance of margin loans was around HK$2.23 billion (trade date basis), representing a slight increase as compared to the HK$2.15 billion (trade date basis) at the end of 2017. The sponsorship projects executed by the Group during the Interim Period were comparable to those in the interim period last year. We also made a breakthrough in respect of merger and acquisition financing while completing three debt underwriting/placing businesses. Our assets under management (AUM) at the end of June this year was slightly lower than that at the end of last year due to the partial withdrawal of proprietary seed money and overall market downturn, which led to the decrease in AUM measured at fair value.

The Company also invested USD15 million in a 2-year bond of China Energy Reserve and which will expire in the first half of 2019. Subsequent to a recent event of default of China Energy Reserve, its financial advisor has put forward to the Company a draft debt reorganisation plan which is under consideration by the Group. Debt reorganisation is complex and takes time and the Group has not made any provision for this investment to date and will continue to disclose relevant follow-ups of the matter in the future.

FINANCIAL REVIEW

Brokerage Business

During the Interim Period, income from brokerage business recorded around HK$118 million, which represents an increase of 4% from HK$113 million in the interim period last year. Commission on dealings in Hong Kong securities recorded around HK$38.04 million in the Interim Period, which represents an increase of around 4% from HK$36.44 million in the interim period last year. The increase was mainly due to the significant increase in average daily turnover of the overall market. During the Interim Period, commission on dealings in futures and options recorded around HK$67.65 million, which represents an increase of around 3% from HK$65.39 million in the interim period last year. The increase was mainly due to a rise in the number of contracts conducted by our clients. Handling, custodian and other service fee income recorded around HK$7.31 million, which represents a decrease of around 12% from HK$8.34 million in the interim period last year.

Interest Income Business

Revenue from the interest income business for the Interim Period amounted to approximately HK$172 million, representing an increase of approximately 3.5 times as compared to HK$38 million for the interim period last year. Interest income from loans to margin clients recorded around HK$75.74 million, which represents an increase of approximately 163% from HK$28.85 million for the interim period last year. The increase was mainly due to the significant increase in average loan balance in the Interim Period as compared to the figures in the interim period last year. The Group had about HK$2.25 billion of the margin loans outstanding balance (settlement date basis) as at the end of June 2018 while the margin loans outstanding balance (settlement date basis) was approximately HK$903 million as at 30 September 2017. During the Interim Period, interest income from structured loan significantly increased to HK$61.68 million, of which HK$22.14 million was attributable to loans to connected persons and HK$39.54 million was attributable to loans to non-connected persons, which reflected implementation of the diversification of business strategy of the Group. Interest income from banks and others also significantly increased to HK$28.56 million for the Interim Period, approximately 8 times more than HK$3.11 million for the interim period last year, which reflected the fact that the Group had other debt assets (mainly consisted of corporate bonds) in addition to margin loans and structured loans, a majority of which was attributable to interests arising from purchasing the corporate bonds of connected persons. Actual amount of loan to connected persons and purchase of corporate bonds of connected persons were all conducted in accordance with the continuing connected transaction framework approved at the general meeting held at the end of last year.

Corporate Finance Business

Total income from corporate finance business recorded around HK$29.47 million for the Interim Period, which represents a decrease of around 22% from around HK$37.99 million in the interim period last year, primarily due to a significant decrease in fee income as the number of projects with larger contracted amount completed in the Interim Period is less than that in the interim period last year. During the Interim Period, commission income (from placing, underwriting and sub-underwriting deals) recorded around HK$7.6 million, which represents a significant increase as compared to around HK$0.15 million in the interim period last year. Fee income (from sponsorship, financial advisory, compliance advisory engagements) recorded around HK$21.87 million for the Interim Period, which represents a decrease of approximately 42% from around HK$37.84 million in the interim period last year. During the Interim Period, a total of 18 mandates (the interim period last year: 12) were signed, of which 8 were placing, underwriting and sub-underwriting mandates (the interim period last year: 3), 2 were sponsorship mandates (the interim period last year: 3), 8 were financial advisory/independent financial advisory and other mandates (the interim period last year: 6).

Asset Management Business

Total income from asset management business recorded around HK$12.87 million for the Interim Period, which represents an increase of 33% from around HK$9.68 million in the interim period last year. The increase was mainly attributable to the significant increase in the average AUM of Oceanwide Greater China UCITS fund ("Oceanwide UCITS fund"). Our asset management business currently includes the management of Oceanwide UCITS fund, Oceanwide China Focus fund, a private fund registered in Cayman Islands, Oceanwide Pioneer Limited Partnership, Oceanwide Kilmorey Guaranteed Return Fund and various discretionary accounts and so on. Balance of AUM was US$146 million at the end of June 2018, representing a drop of approximately 15% from US$171 million at the end of 2017.

Investments and Others Businesses

Loss from investments and others businesses recorded around HK$63.86 million for the Interim Period, while a gain of around HK$26.29 million was recorded in the interim period last year. The investment loss was mainly generated by fair value change of a single stock. Financial media service fee income recorded around HK$7.39 million, representing a rise of 17% from around HK$6.32 million in the interim period last year.

Expenses

Direct costs recorded around HK$100 million for the Interim Period, which represents an increase of 12% from around HK$89 million in the interim period last year. The increase was mainly attributable to the increase in income from brokerage business. Staff costs recorded around HK$85 million for the Interim Period, which represents an increase of 33% from around HK$64 million in the interim period last year. The increase was mainly due to the one-off bonus distributed early this year and a moderate increase in staff number. Other operating expenses recorded around HK$37 million for the Interim Period, which represents an increase of 19% from around HK$31 million in the interim period last year. The increase was mainly due to the additional rental expenses from the new office and increase in professional fees as a result of various corporate actions of the listed company.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flow as well as through the utilisation of banking facilities and short-term loans from independent third parties. From time to time, the Company may raise capital by issuing new shares or issuing debt instruments. All of the amounts raised are mainly used as working capital for the Group's business operation, provision of financial resources (including margin loans and investments) and liquidity for securing securities transactions and underwriting activities.

At the end of June 2018, the Group had available aggregate banking facilities of approximately HK$2.69 billion (the end of 2017: HK$1.28 billion), representing a growth of 110%, mostly secured through legal charges on certain securities owned by the Group's margin and money lending clients. At the end of June 2018, approximately HK$1.03 billion (the end of 2017: HK$260 million) of banking facilities were utilised. Moreover, the Group had utilised other loans of HK$340 million and REPO loans of HK$30 million (the end of 2017: nil and HK$310 million respectively).

The Group's cash and bank balances as at the end of June 2018 stood at approximately HK$560 million (the end of 2017: HK$1.07 billion).

The Group's gearing ratio was 24% as at the end of June 2018 (the end of 2017: 10%), being calculated as borrowings over net assets. Borrowings are mainly attributable to the facilitation of securities margin lending business. The management has applied prudent risk and credit management policies on the increased lending to clients and borrowings from banks. In addition, the Group is required to strictly follow regulatory re-pledging ratios and prudent bank borrowing benchmarks that govern the extent of borrowings in the securities margin lending business.

PROSPECTS

The year of 2018 marks the beginning of a new chapter for the Group. As Oceanwide Holdings completed the acquisition of Quam, we have seen the initial completion of the following by the end of last year, including but not limited to the change of our Company's name, the change of members of the Board, the new members of the senior management of the Company on board, the expansion of our capital and the establishment of new business lines. This year represented the first entire financial year during which the Group operated its business with the existing capital. Looking ahead, we will devote our efforts to the following directions in the hope of bringing better returns to the Company and all of our shareholders:

1. Carrying forward the structural transformation of revenue. The Group will take advantage of capital and adopt capital-based intermediary approach. We will utilise our capital to support and develop our fee-based businesses such as asset management, debt capital market, equity capital market and structured financing. We will continue to restructure institutional equity business to better support and develop the Group's corporate finance business. We aim to substantially increase the proportion of revenue from structured financing, corporate financing, asset management and investment and others businesses while improving the absolute amount of income derived from traditional brokerage and interest income business, so as to reduce our reliance on the latter. We will also grasp the opportunity to enter into merger and acquisition in order to bring in growth other than organic growth as well as establish possible regional presences when it arises.

2. Improving quality of income. We will increase the Group's loans to third parties to reduce the proportion of loans to connected persons. We will assess and improve the loan quality of current margin clients to minimise loan risks and increase growth rate of commission income. The Group will continue to recruit and retain capable account executives to increase our market share in the secondary market and the income of securities brokerage business.

3. Enhancing leverage moderately. An appropriate level of leverage is healthy and we will increase our borrowings to optimise equity return. With respect to non-bank financial institution industry, average leverage ratio of the leading players is much higher than that of the Group. We will keep an eye on the market conditions and appropriately enhance the Group's leverage ratio to an extent comparable to that of those leading players.

4. Improving remuneration structure and incentives. Employees are crucial to the industry in which we operate our business. To meet the Company's overall objectives, the recruitment and the retention of high calibre core staff is an issue that draws the attention of management of the Company every day. The Group will continue to improve our remuneration structure, enhance the staff benefits and put in place suitable incentives schemes (including but not limited to the adoption of share option scheme and share award scheme) at the right timing in order to ensure that our high calibre core employees are fully committed to serving the Group.

5. Enhancing the business interaction between Oceanwide Holdings and Tonghai Holdings. Building on the established foundation, we carry out and realise the Company's objectives gradually. We will leverage the network of substantial shareholders and various advantages to enhance the income of the Group.

All in all, the Group is well-prepared to strive for our goal to become an international financial platform owned by a leading China private enterprise, with a base in Hong Kong and extensive presence in overseas countries. However, due to the uncertainties arising from the trade war worldwide in the short run as well as the bleak market sentiments in Hong Kong, the Company will adjust the development plan in the light of the changes in the external environment.

OTHER INFORMATION

Material Acquisitions, Disposals and Significant Investments

For the Interim Period, the Group had not made any material acquisitions and disposals of subsidiaries and associated companies. As at the end of the Interim Period, the Group still holds the senior notes of HK$50 million issued by VMS CSW 1 LAND HOLDINGS LIMITED and 40 million shares of Haitong Securities H-Share (Stock Code: 6837), details of such were disclosed in the listed company announcement of the Company in the current year.

Charge on the Group's Assets

No asset of the Group was subject to any charge as at the end of the Interim Period.

Capital Commitments

Details of capital commitments of the Group are set out in the relevant note to the financial statements.

Employees and Remuneration Policies

As of 30 June 2018, the Group had 206 full time employees (30 September 2017: 178) and 2 part time employees (30 September 2017: 3) in Hong Kong, together with 35 full time employees (30 September 2017: 39) based in the Mainland China. In addition, the Group has 90 commission sales representatives (30 September 2017: 119). Competitive total remuneration packages are offered to employees by reference to prevailing market practices and standards and individual merit. Salaries are reviewed annually, and 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 and medical and health insurance. In addition, the Group has maintained a restricted share award scheme and a phantom share scheme as a means for reward and staff retention.

RISK MANAGEMENT

The group adopts stringent risk management policies and monitoring system for credit, market, liquidity and technology risk in all of its major operations. In addition, compliance and regulatory risk is also continually monitored. External professional parties were appointed to monitor different aspects of our operations including money-laundering, treasury control, operation procedure and compliance. The Management believes it is of the utmost importance that every aspect of our business be regularly probed and tested by outside parties.

Credit Risk

The Group's Business Assessment Committees within the securities and futures operation, equity capital market operation, debt capital market operation and asset management operation will meet regularly to review their operations and identify and assess risks associated with their financial products. The Group has set up a Credit Risk Approving system which dictate the procedures and approving authorities needed for all applications relating to increases in credit risks.

The credit control unit of our securities operation is responsible for monitoring and making margin calls to clients when limits have been exceeded and when concentration risks for particular counters have been reached. It also runs stress tests on loan portfolios.

Market Risk

The Group offers margin trading in securities, futures and options products. Clients are required to maintain a margin in order to hold positions and meet margin calls when there are changes in value of the underlying assets. The margins to be maintained for futures and options products are based on requirements set by the relevant exchanges and counter party brokers. Business Assessment Committee will review, assess and approve the margin ratios proposed by credit control unit of the business.

The Group's exposure to underwriting commitments is subject to market volatility and sentiment. In that respect, the Group follows strict limits as to the maximum exposure to any underwriting commitment. The Board has established guidelines in respect to net exposure commitment per issue and aggregate exposure at any one time as measured against the net asset value of the Group.

Liquidity Risk

The Group's operating units are subject to various liquidity requirements as prescribed by the authorities and financial market regulators. The Group has put in place monitoring systems to ensure that it maintains adequate liquid capital to fund its business commitments and to comply with the relevant rules including Financial Resources Rules. The Company will consider the need to raise capital whenever business operations growth justifies. The Management believes the Group's working capital is adequate to meet its financial obligations.

IT Risk

The Group is very conscious of data security and access control risk associated with client data. The Group deploys industry best practice in its IT architecture, implementing firewalls, intrusion surveillance, and the prevention of denial of service attacks. Furthermore, a contingency plan is established to ensure continuity in case of systems fall-over.

Legal and Regulatory Risk

As a financial group operating regulated businesses, we endeavour to meet the stringent and more sophisticated regulatory requirements, including but not limited to those related to investor protection, market integrity and anti-money laundering. Our compliance team working together with third party professionals continually review and scrutinise our internal control processes to reduce legal and regulatory risks that can impact the Group's operation.

INTERIM DIVIDEND

The Board of the Company has resolved not to declare an interim dividend in respect of the six months ended 30 June 2018 (2017: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by 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.

Having made specific enquiry of all the Directors, all of them confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company throughout the six months ended 30 June 2018.

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 and Corporate Governance Report", throughout the six months ended 30 June 2018 and subsequent period up to the date of this announcement, save for the deviations from code provision A.5.1 which stipulates that a Nomination Committee should be established. In view of the existing size of the board and business operation of the Group, it is considered more beneficial and effective to have the relevant function performed by the Board itself rather than through the establishment of such committee.

AUDIT COMMITTEE REVIEW

The audit committee of the Company comprises five independent non-executive Directors. The audit committee has reviewed the unaudited condensed consolidated financial results of the Company for the six months ended 30 June 2018 and discussed with the management of the Company the accounting principles and practices adopted by the Group, internal control and financial reporting matters.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The announcement of unaudited interim results for the six months ended 30 June 2018 of the Group is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and on the website of the Company at www.tonghaifinancial.com respectively. The Interim Report 2018 of the Company will be despatched to the shareholders of the Company and made available on the above websites in due course.

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

Hong Kong, 29 August 2018

As at the date of this announcement, the board of directors of China Tonghai International Financial Limited comprises six executive directors, namely Mr. HAN Xiaosheng, Mr. ZHANG Bo, Mr. ZHANG Xifang, Mr. FENG Henian, Mr. LIU Hongwei and Mr. Kenneth LAM Kin Hing; four non-executive directors, namely Mr. Bernard POULIOT, Mr. LIU Bing, Mr. ZHAO Yingwei and Mr. ZHAO Xiaoxia; and five independent non-executive directors, namely Mr. Roy LO Wa Kei, Mr. KONG Aiguo, Mr. LIU Jipeng, Mr. HE Xuehui and Mr. HUANG Yajun.