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## 中國通海國際金融有限公司

CHINA TONGHAI INTERNATIONAL FINANCIAL LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 952)**

### ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board of directors (the “Board” or “Directors”) of China Tonghai International Financial Limited (the “Company”) presents the unaudited condensed consolidated interim financial statements (the “Interim Financial Statements”) of the Company and its subsidiaries (together, the “Group”) for the six months ended 30 June 2022, together with the comparative figures, as follows:

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		<b>Six months ended 30 June 2022</b>	Six months ended 30 June 2021
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Fee and commission income	4	<b>62,696</b>	120,611
Interest income			
— Calculated using the effective interest method	4	<b>151,622</b>	213,720
— Calculated using other method	4	<b>65,074</b>	97,214
Net investment (loss)/gain	4	<b>(252,474)</b>	71,413
<b>Total revenue</b>	4	<b>26,918</b>	502,958

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
(CONTINUED)**

		<b>Six months ended 30 June 2022 HK\$'000 (Unaudited)</b>	<b>Six months ended 30 June 2021 HK\$'000 (Unaudited)</b>
	<i>Notes</i>		
Other income	5	12,077	1,544
Direct costs		<b>(54,003)</b>	(72,352)
Staff costs	6	<b>(89,644)</b>	(98,601)
Depreciation and amortisation	6	<b>(21,447)</b>	(23,537)
Expected Credit Loss (“ECL”) net charges		<b>(80,570)</b>	(234,444)
Finance costs			
— Interest on borrowings		<b>(23,711)</b>	(31,811)
— Interest on lease liabilities		<b>(804)</b>	(1,525)
Other operating expenses	7	<b>(28,329)</b>	(25,717)
Share of result of an associate		<b>(242)</b>	(170)
Share of results of joint ventures		—	(428)
		<hr/>	<hr/>
<b>(Loss)/profit before tax</b>	6	<b>(259,755)</b>	15,917
Tax credit/(expense)	8	<b>14,164</b>	(2,016)
		<hr/>	<hr/>
<b>Net (loss)/profit attributable to equity holders of the Company</b>		<b><u>(245,591)</u></b>	<b><u>13,901</u></b>
<b>(Loss)/earnings per share for net (loss)/profit attributable to equity holders of the Company</b>		<b><i>HK cent(s)</i></b>	<b><i>HK cent(s)</i></b>
— Basic and diluted	9	<b>(3.996)</b>	0.226
<b>Dividend per share</b>	10	<b>Nil</b>	<b>Nil</b>

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

	<b>Six months ended 30 June 2022 <i>HK\$'000</i> (Unaudited)</b>	<b>Six months ended 30 June 2021 <i>HK\$'000</i> (Unaudited)</b>
<b>Net (loss)/profit attributable to equity holders of the Company</b>	<u><b>(245,591)</b></u>	<u>13,901</u>
<b>Other comprehensive income including reclassification adjustments</b>		
Item that may be reclassified subsequently to profit or loss — Exchange (loss)/gain on translation of financial statements of foreign operations	<u><b>(1,438)</b></u>	<u>546</u>
<b>Other comprehensive income including reclassification adjustments and net of tax</b>	<u><b>(1,438)</b></u>	<u>546</u>
<b>Total comprehensive income attributable to equity holders of the Company</b>	<u><u><b>(247,029)</b></u></u>	<u><u>14,447</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2022			As at 31 December 2021		
	Current	Non-current	Total	Current	Non-current	Total
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
<b>ASSETS</b>						
Cash and cash equivalents	213,695	—	213,695	405,290	—	405,290
Bank balances held on behalf of clients	1,128,372	—	1,128,372	1,178,362	—	1,178,362
Financial assets held for trading	897,843	63,218	961,061	1,026,012	83,082	1,109,094
Financial assets not held for trading	239,847	4,210	244,057	267,612	4,210	271,822
Derivative financial instruments	38,491	—	38,491	17,267	—	17,267
Loans to margin clients	11 997,299	—	997,299	1,382,977	—	1,382,977
Advances to customers for corporate actions	12 143,457	—	143,457	189,308	—	189,308
Other loans	13 1,669,824	75,628	1,745,452	1,517,018	81,040	1,598,058
Reverse repurchase agreements	14 2,079	—	2,079	2,050	—	2,050
Accounts receivable	15 434,776	—	434,776	454,165	—	454,165
Prepayments, deposits and other receivables	76,764	—	76,764	84,577	—	84,577
Interest in an associate	—	2,188	2,188	—	2,430	2,430
Goodwill and other intangible assets	—	19,333	19,333	—	20,172	20,172
Other assets	—	16,195	16,195	—	21,517	21,517
Property and equipment	—	52,459	52,459	—	72,724	72,724
Tax recoverables	12,125	—	12,125	15,947	—	15,947
Deferred tax assets	—	43,385	43,385	—	15,525	15,525
<b>TOTAL ASSETS</b>	<b>5,854,572</b>	<b>276,616</b>	<b>6,131,188</b>	<b>6,540,585</b>	<b>300,700</b>	<b>6,841,285</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Liabilities</b>						
Bank and other borrowings	1,159,015	—	1,159,015	1,502,854	—	1,502,854
Accounts payable	16 1,482,549	—	1,482,549	1,541,785	—	1,541,785
Contract liabilities	7,272	—	7,272	11,004	—	11,004
Lease liabilities	29,198	852	30,050	33,572	13,879	47,451
Accruals and other payables	78,218	—	78,218	117,174	—	117,174
Tax payables	23,871	—	23,871	23,362	—	23,362
Deferred tax liabilities	—	447	447	—	860	860
<b>TOTAL LIABILITIES</b>	<b>2,780,123</b>	<b>1,299</b>	<b>2,781,422</b>	<b>3,229,751</b>	<b>14,739</b>	<b>3,244,490</b>
<b>Equity</b>						
Share capital			20,657			20,657
Reserves			3,329,109			3,576,138
<b>TOTAL EQUITY</b>			<b>3,349,766</b>			<b>3,596,795</b>
<b>TOTAL LIABILITIES AND EQUITY</b>			<b>6,131,188</b>			<b>6,841,285</b>
<i>Net current assets</i>			<b>3,074,449</b>			<b>3,310,834</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The 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 (“HKICPA”) and with applicable requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

### 2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation that have been used in the preparation of the Interim Financial Statements are consistent with those applied in the preparation of the Group’s annual financial statements for the year ended 31 December 2021, except for the adoption of new and amended Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations.

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group. The adoption of these new or amended HKFRSs does not have significant impact on the Group’s Interim Financial Statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### 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.

#### Six months ended 30 June 2022 (Unaudited)

	Corporate finance <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Brokerage <i>HK\$'000</i>	Interest income <i>HK\$'000</i>	Investments <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Reportable segment revenue</b>							
Fee and commission income	5,097	5,430	48,037	—	—	4,132	62,696
Interest income	—	—	68,988	147,708	—	—	216,696
Net investment loss	—	—	—	—	(252,474)	—	(252,474)
<b>Segment revenue from external customers</b>	<b>5,097</b>	<b>5,430</b>	<b>117,025</b>	<b>147,708</b>	<b>(252,474)</b>	<b>4,132</b>	<b>26,918</b>
Inter-segment revenue	3,000	1,878	—	—	—	464	5,342
<b>Reportable segment revenue</b>	<b>8,097</b>	<b>7,308</b>	<b>117,025</b>	<b>147,708</b>	<b>(252,474)</b>	<b>4,596</b>	<b>32,260</b>
<b>Reportable segment result</b>	<b>(4,835)</b>	<b>(1,166)</b>	<b>(17,208)</b>	<b>21,823</b>	<b>(253,055)</b>	<b>(3,088)</b>	<b>(257,529)</b>

### 3. SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2021 (Unaudited)

	Corporate finance <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Brokerage <i>HK\$'000</i>	Interest income <i>HK\$'000</i>	Investments <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Reportable segment revenue</b>							
Fee and commission income	20,462	14,673	80,411	—	—	5,065	120,611
Interest income	—	—	82,785	204,276	23,873	—	310,934
Net investment gain	—	—	—	—	71,413	—	71,413
<b>Segment revenue from external customers</b>	20,462	14,673	163,196	204,276	95,286	5,065	502,958
Inter-segment revenue	1,050	2,617	261	—	—	916	4,844
<b>Reportable segment revenue</b>	<u>21,512</u>	<u>17,290</u>	<u>163,457</u>	<u>204,276</u>	<u>95,286</u>	<u>5,981</u>	<u>507,802</u>
<b>Reportable segment result</b>	<u>5,289</u>	<u>2,433</u>	<u>23,845</u>	<u>(71,963)</u>	<u>62,876</u>	<u>(3,011)</u>	<u>19,469</u>

The total of the Group's reportable segment result is reconciled to the Group's (loss)/profit before tax as follows:

	<b>Six months ended 30 June 2022 <i>HK\$'000</i> (Unaudited)</b>	Six months ended 30 June 2021 <i>HK\$'000</i> (Unaudited)
Reportable segment result	<b>(257,529)</b>	19,469
Share of result of an associate	<b>(242)</b>	(170)
Share of results of joint ventures	—	(428)
Unallocated corporate expenses	<b>(1,984)</b>	(2,954)
(Loss)/profit before tax	<b><u>(259,755)</u></b>	<u>15,917</u>

The Group's customers include the following with whom transactions have exceeded 10% of the Groups' revenue (excluding revenue from investments business):

	<b>Six months ended 30 June 2022 <i>HK\$'000</i> (Unaudited)</b>	Six months ended 30 June 2021 <i>HK\$'000</i> (Unaudited)
Oceanwide Holdings International Development III Co., Ltd <sup>^</sup>	<b><u>69,206</u></b>	<u>82,014</u>

<sup>^</sup> Revenue from this customer, a connected party to our Company, is attributable to interest income segment.

#### 4. REVENUE

	Six months ended 30 June 2022 <i>HK\$'000</i> (Unaudited)	Six months ended 30 June 2021 <i>HK\$'000</i> (Unaudited)
<b>Corporate finance business</b>		
<i>Fee and commission income:</i>		
— Placing and underwriting commission income	1,352	6,441
— Financial and compliance advisory services fee income	3,745	14,021
	<u>5,097</u>	<u>20,462</u>
<b>Asset management business</b>		
<i>Fee and commission income:</i>		
— Management fee and performance fee income	5,430	14,673
	<u>5,430</u>	<u>14,673</u>
<b>Brokerage business</b>		
<i>Fee and commission income:</i>		
— Commission on dealings in securities		
— Hong Kong securities	16,272	37,088
— Other than Hong Kong securities	1,601	4,241
— Commission on dealings in futures and options contracts	22,974	27,775
— Handling, custodian and other service fee income	7,190	11,307
	<u>48,037</u>	<u>80,411</u>
<b>Interest income business</b>		
<i>Interest income calculated using the effective interest method:</i>		
— Interest income from other loans	101,013	179,963
— Interest income from cash clients receivables	1,329	1,458
— Interest income from trust bank deposits	1,327	1,611
— Interest income from initial public offering (“IPO”) loans	—	1,342
— Interest income from house money bank deposits and others	47,953	29,346
<i>Interest income calculated using other method:</i>		
— Interest income from loans to margin clients	65,063	73,329
— Interest income from bonds measured at fair value through profit or loss and others	11	23,885
	<u>216,696</u>	<u>310,934</u>
<b>Investments and others business</b>		
<i>Fee and commission income:</i>		
— Financial media service fee income	4,132	5,065
<i>Net investment (loss)/gain:</i>		
— Net realised and unrealised (loss)/gain on financial assets measured at fair value through profit or loss	(257,120)	61,058
— Dividend income from financial assets measured at fair value through profit or loss	4,646	10,355
	<u>(248,342)</u>	<u>76,478</u>
<b>Total revenue</b>	<u><u>26,918</u></u>	<u><u>502,958</u></u>

## 5. OTHER INCOME

	Six months ended 30 June 2022 <i>HK\$'000</i> (Unaudited)	Six months ended 30 June 2021 <i>HK\$'000</i> (Unaudited)
Changes in net asset value attributable to other holders of consolidated investment funds	1,824	(2,558)
Exchange gain, net	8,013	2,786
Government subsidies	1,713	467
Sundry income	527	849
	<u>12,077</u>	<u>1,544</u>

## 6. (LOSS)/PROFIT BEFORE TAX

	Six months ended 30 June 2022 <i>HK\$'000</i> (Unaudited)	Six months ended 30 June 2021 <i>HK\$'000</i> (Unaudited)
(Loss)/profit before tax is arrived at after charging:		
Staff costs		
— Fees, salaries, allowances, bonuses and benefits in kind	84,921	92,541
— Employee sales commission	2,079	2,949
— Retirement benefits scheme contributions	2,347	2,846
— Other staff benefits	297	265
	<u>89,644</u>	<u>98,601</u>
Depreciation and amortisation		
— Other intangible assets	919	1,290
— Property and equipment	20,528	22,247
	<u>21,447</u>	<u>23,537</u>

## 7. OTHER OPERATING EXPENSES

	Six months ended 30 June 2022 <i>HK\$'000</i> (Unaudited)	Six months ended 30 June 2021 <i>HK\$'000</i> (Unaudited)
Advertising and promotion expenses	525	4,376
Auditors' remuneration	2,196	1,757
Bank charges	860	1,033
Consultancy fee	2,904	977
Entertainments	510	561
General office expenses	2,943	2,698
Insurance	1,321	1,418
Legal and professional fee	8,772	4,453
Repairs and maintenance	3,197	2,394
Short-term leases, rates and building management fee	2,806	3,468
Staff recruitment cost	755	236
Travelling and transportation expenses	275	549
Others	1,265	1,797
	<u>28,329</u>	<u>25,717</u>

(a) In 2021, the Company has entered into the settlement agreement in relation to the very substantial acquisition with connected parties. Legal and professional fee of HK\$3,253,000 was incurred for such transaction for the period ended 30 June 2022. Details of the transaction were set out in the Company's announcement dated on 24 August 2021.

## 8. TAX (CREDIT)/EXPENSE

The provision for Hong Kong Profits Tax is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the six months ended 30 June 2022, 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 2021.

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

	Six months ended 30 June 2022 <i>HK\$'000</i> (Unaudited)	Six months ended 30 June 2021 <i>HK\$'000</i> (Unaudited)
Current tax — Hong Kong Profits Tax		
— Current period	14,109	23,372
Deferred tax	(28,273)	(21,356)
Total tax (credit)/expense	<u>(14,164)</u>	<u>2,016</u>

## 9. (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:

### (Loss)/earnings

	Six months ended 30 June 2022 <i>HK\$'000</i> (Unaudited)	Six months ended 30 June 2021 <i>HK\$'000</i> (Unaudited)
For purpose of basic and diluted (loss)/earnings per share	<u>(245,591)</u>	<u>13,901</u>

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

	Six months ended 30 June 2022 (Unaudited)	Six months ended 30 June 2021 (Unaudited)
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 period

	Six months ended 30 June 2022 <i>HK cents</i> (Unaudited)	Six months ended 30 June 2021 <i>HK cents</i> (Unaudited)
Basic and diluted	<u>(3.996)</u>	<u>0.226</u>

## 10. DIVIDENDS

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

## 11. LOANS TO MARGIN CLIENTS

	As at 30 June 2022 <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
Loans to margin clients		
— Measured at fair value through profit or loss	<u>997,299</u>	<u>1,382,977</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 30 June 2022, the market value of securities pledged by margin clients to the Group as collateral was HK\$7,080,081,000 (31 December 2021: HK\$9,570,398,000) and the Group is permitted to sell collaterals provided by clients if they fail to fulfil in 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 30 June 2022, the margin loan shortfall in accounting terms amounts to HK\$287,960,000 (31 December 2021: HK\$118,613,000).

## 12. ADVANCES TO CUSTOMERS FOR CORPORATE ACTIONS

	As at 30 June 2022 <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
Financial assets measured at amortised cost	159,397	226,759
Less: ECL provisions	<u>(15,940)</u>	<u>(37,451)</u>
	<u>143,457</u>	<u>189,308</u>

The whole balance is classified as current assets.

### 13. OTHER LOANS

	<i>Notes</i>	As at 30 June 2022 <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
Other loans, gross amount			
— Unsecured	(a)	3,956,582	3,773,694
— Secured	(a), (b)	<u>262,952</u>	<u>263,867</u>
		4,219,534	4,037,561
Less: ECL provisions		<u>(2,474,082)</u>	<u>(2,439,503)</u>
Net amount		<u><u>1,745,452</u></u>	<u><u>1,598,058</u></u>
Analysis of the net amount into current and non-current portions:			
Current		1,669,824	1,517,018
Non-current		<u>75,628</u>	<u>81,040</u>
		<u><u>1,745,452</u></u>	<u><u>1,598,058</u></u>

*Notes:*

- (a) The loans bear interest at fixed rates ranging from 7.875% to 12% (31 December 2021: 6% to 12%) per annum. The carrying amount (net of ECL provisions) of unsecured loan of HK\$739,660,000 (31 December 2021: HK\$728,556,000) are due from fellow subsidiaries of our ultimate beneficiary shareholder.
- (b) As at 30 June 2022 and 31 December 2021, the collaterals held by the Group for the secured loans mainly include shares and assets of private companies.

### 14. REVERSE REPURCHASE AGREEMENTS

	As at 30 June 2022 <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
Analysed by collateral type:		
— Bonds	2,100	2,062
Less: ECL provisions	<u>(21)</u>	<u>(12)</u>
	<u><u>2,079</u></u>	<u><u>2,050</u></u>

#### 14. REVERSE REPURCHASE AGREEMENTS (CONTINUED)

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 condensed consolidated financial statements but regarded as “collateral” because the external investors retain substantially all the risks and rewards of these securities.

As at 30 June 2022, the fair value of the collaterals was HK\$4,240,000 (31 December 2021: HK\$4,865,000).

#### 15. ACCOUNTS RECEIVABLE

		As at 30 June 2022 <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
<i>Accounts receivable from dealings in securities, futures and options contracts</i>			
— Brokers and clearing houses	(a)	409,579	424,867
— Cash clients	(a)	24,228	22,094
Less: ECL provisions		<u>(11,114)</u>	<u>(10,229)</u>
		422,693	436,732
<i>Accounts receivable from asset management, corporate finance and other businesses</i>			
— Clients	(a)	17,656	22,689
Less: ECL provisions		<u>(5,573)</u>	<u>(5,256)</u>
		12,083	17,433
Accounts receivable, net	(b)	<u>434,776</u>	<u>454,165</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). 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 client).

## 15. ACCOUNTS RECEIVABLE (CONTINUED)

Notes: (Continued)

(b) Ageing analysis of accounts receivable based on due date and net of ECL provisions is as follows:

	As at 30 June 2022 <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
Current (not past due)	5,513	6,103
1–30 days	412,518	428,530
31–90 days	1,483	7,233
Over 90 days	<u>15,262</u>	<u>12,299</u>
Accounts receivable, net	<u><u>434,776</u></u>	<u><u>454,165</u></u>

## 16. ACCOUNTS PAYABLE

	As at 30 June 2022 <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
<i>Accounts payable from dealings in securities, futures and options contracts</i>		
— Brokers and clearing houses	(a) 4,148	39,188
— Cash and margin clients	(a) 1,467,788	1,495,810
<i>Accounts payable from other businesses</i>		
— Clients	<u>10,613</u>	<u>6,787</u>
	(b) <u><u>1,482,549</u></u>	<u><u>1,541,785</u></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.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **MACRO ENVIRONMENT**

The on-going geopolitical tensions between Russia and Ukraine as well as the surging energy and commodity prices had drastically changed the world's inflation expectations in the first half of the year. The US Fed and other central banks had been hiking interest rates at a faster-than-expected pace to combat persistently high inflation, which had much eroded the purchasing power of most consumers. Investors' concerns now have turned to a possible recession which has become one of the risk factors driving further global markets weakness. On the other hand, the lockdowns in China as part of the pandemic measures, had further weighed on economic activities and led to supply chain disruptions.

### **HONG KONG STOCK MARKET**

During the first half of this year, Hong Kong stock markets were volatile amid uncertainties about interest rate hikes and deleveraging by major central banks with HSI, HSCEI and the Hang Seng TECH Index dropping 6.6%, 6.9% and 14.1% respectively. Rate sensitive sectors such as technology stocks led losses owing to heightening worries about accelerating interest rate hikes in the US. The average daily turnover in Hong Kong securities market amounted to HK\$138.3 billion in the first half, decreased by 27% year-on-year. Hong Kong's IPO market welcomed a total of 26 new issuers. Total funds raised by these IPOs stood at HK\$19.7 billion. The market capitalisation of the securities market reached HK\$38,970 billion at the end of June this year, down 26% year-on-year.

### **RESULTS AND OVERVIEW**

For the six months ended 30 June 2022, the Group recorded net loss of HK\$246 million (interim 2021: net profit of HK\$14 million). The Group's reported revenue decreased by approximately 95% to HK\$27 million in interim 2022 (interim 2021: HK\$503 million). Since our fair value loss on investment in financial assets and margin loan are recorded as a reduction in our revenue in face profit and loss account, such reduction in revenue seems high in first glance. Should such loss effect of investment business of HK\$252 million (interim 2021: gain of HK\$71 million) be excluded, adjusted recurring revenue would be HK\$279 million (interim 2021: HK\$432 million) which represents a drop of only 35%. The loss in investments in financial assets of HK\$83 million (interim 2021: HK\$81 million gain) arises from the price drop of certain financial investment assets which falls on the backdrop of the weak investment atmosphere in interim 2022. The loss on margin loans arises when the collateral's market value falls below the outstanding margin loan to clients. In interim 2022, certain PRC property stocks' share prices have dropped significantly and it has impacted us seriously. Such loss in interim 2022 was HK\$169 million (interim 2021: HK\$10 million). Certain arrangements have been agreed with clients by way of either depositing more collaterals or scheduled repayment to bring down this mark-to-market loss by the end of this year.

## BUSINESS REVIEW

Our licensed business (including regulated activities licensed by the Securities and Futures Commission and money lending) experienced an approximately 36% drop in revenue from HK\$427 million in interim 2021 to HK\$275 million in interim 2022. The drop was mainly contributed by the decrease in commission on dealings in securities, which consistent with the decrease in market turnover of the securities market at the Hong Kong Stock Exchange, and reduction in interest income from other loans. Interest income has also dropped significantly due to higher proportion of loans have not renewed and our policy of not recognising interest income under this circumstance.

## FINANCIAL REVIEW

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

Revenue	Interim	Proportion	Interim	Proportion	Change
	2022		2021		
	<i>HK\$ million</i>		<i>HK\$ million</i>		
Corporate finance business	5	2%	21	5%	(76%)
Asset management business	5	2%	15	3%	(67%)
Brokerage business	48	17%	80	19%	(40%)
Interest income business	217	79%	311	73%	(30%)
Total revenue (excluding revenue from investments and others business)	<u>275</u>	<u>100%</u>	<u>427</u>	<u>100%</u>	<u>(36%)</u>

Total revenue from the above four businesses dropped by 36% compared to interim 2021. The proportion of revenue from interest income business increased from 73% in interim 2021 to 79% in interim 2022. The proportion of revenue from corporate finance business, asset management business and brokerage business decreased from 5%, 3% and 19% in interim 2021 to 2%, 2% and 17% in interim 2022 respectively.

### Corporate Finance Business

The Group's corporate finance business comprises sponsorship for listing, financial advisory, financing consultation service, equity capital market and debt capital market. Revenue from corporate finance business has decreased by 76% from HK\$21 million in interim 2021 to HK\$5 million in interim 2022. The largest drop in revenue, in absolute amount, is the sponsorship fee income across two interim periods.

## **Asset Management Business**

Revenue from asset management business has dropped by 67% from HK\$15 million in interim 2021 to HK\$5 million in interim 2022. Apart from a reduction of asset under management, the lack of performance fee in interim 2022 caused such reduction of revenue across two interim periods.

## **Brokerage Business**

Revenue from brokerage business has decreased by 40% from HK\$80 million in interim 2021 to HK\$48 million in interim 2022, mainly due to the decrease in the commission income from dealing in Hong Kong securities. The average daily market turnover of the secondary market at the Hong Kong Stock Exchange has dropped by 27% across two interim periods. The commission income from dealings in futures and option contracts decreased by 18% from HK\$28 million in interim 2021 to HK\$23 million in interim 2022 due to reduced number of contracts traded.

## **Interest Income Business**

Interest income recorded for interim 2022 was HK\$217 million, a drop of 30% as compared to HK\$311 million for interim 2021. The interest income from other loans has dropped by 44% from HK\$180 million in interim 2021 to HK\$101 million in interim 2022 mainly due to reasons mentioned above. The interest income from loans to margin clients has dropped by 11% from HK\$73 million in interim 2021 to HK\$65 million in interim 2022 mainly due to a drop in average outstanding margin loan to clients.

## **Investments and Others Business**

Income from investments and others business has recorded HK\$248 million loss in interim 2022 as compared to HK\$76 million gain in interim 2021. It mainly comprised of loss on investments in financial assets, largely unrealized, of HK\$83 million (interim 2021: HK\$81 million gain) and fair value losses of loans to margin clients of approximately HK\$169 million (interim 2021: HK\$10 million). The fair value loss of loans to margin clients in interim 2022 was mainly due to significant drop in the market value of securities collaterals pledged by the margin clients. Certain arrangements have been agreed with clients by way of either depositing more collaterals or scheduled repayment to bring down this mark-to-market loss by the end of this year.

## **Expenses**

Direct cost has dropped by 25% from HK\$72 million in interim 2021 to HK\$54 million in interim 2022. The decrease was mainly due to the decrease in commission expense of our brokerage business as a result of reduction in gross commission. Staff cost has decreased by 9% from HK\$99 million in interim 2021 to HK\$90 million in interim 2022 as a result of proactive cost-saving schemes.

Expected Credit Loss (“ECL”) net charges mainly made on amortised loans and bonds has decreased about 65% from HK\$234 million in interim 2021 to HK\$81 million in interim 2022. Most of the impairment loss in interim 2021 and 2022 comes from connected parties’ loans and bonds. In 2021 annual report, we have adopted a higher ECL provision rate than that applied to interim 2021. ECL was provided for the further interest income arising from connected parties’ loans and bonds in interim 2022 and therefore ECL charges has decreased significantly as compared to interim 2021.

Finance cost has decreased by approximately 24% from HK\$33 million in interim 2021 to HK\$25 million in interim 2022 as a result of substantial reduction in bank borrowings.

## IMPAIRMENT LOSS

In interim 2022, the Company recognised net charge of ECL provisions of HK\$81 million and were mainly arisen from ECL charges of HK\$34.6 million to other loans, and ECL charges of HK\$37.8 million to unlisted debt securities.

### (a) Details of other loans with ECL charges of HK\$34.6 million in interim 2022

With reference to the announcement dated 29 August 2022, the Company listed out the loans which considered to be with material assets impairment are as below:

#### (1) Unsecured and unguaranteed other loans to connected parties

The borrowers below are the subsidiaries of Tohigh Holdings Co., Ltd.\* (通海控股有限公司), Oceanwide Holdings Co., Ltd\* (泛海控股股份有限公司) and China Oceanwide Holdings Limited which are connected parties of the Company. The definitions of connected parties of the above mentioned parties were set out in the Company’s circulars dated 24 September 2019 and 28 January 2021.

	Identities of borrowers	Principal amount HK\$ million	Carrying amount as at 30 Jun 2022 HK\$ million	Impairment loss for the interim 2022 HK\$ million	Interest rate	Loans granted date	Tenure	Ultimate beneficial owners	Latest status of repayment as at 30 June 2022
1	China Oceanwide International Investment Company Limited and Minyun Limited	1,166	363	12	7.88%–12%	5 Dec 2019– 1 Jan 2022	Within 2 years	Mr. LU Zhiqiang	Principal of HK\$1,098.7 million and interest of HK\$118.5 million were overdue
2	Oceanwide Holdings International Development III Co., Ltd	691	210	16	11%–12%	1 Jan 2021– 1 Jul 2021	Within 1 year	Mr. LU Zhiqiang	overdue
3	China Oceanwide Holdings Limited	480	167	1	12%	22 Dec 2020– 1 Apr 2021	Within 1 year	Mr. LU Zhiqiang	overdue
		<u>2,337</u>	<u>740</u>	<u>29</u>					

Provision of loans is one of the principal business of the Group. Provision of loans to connected parties allows the Group to capture the financing needs of the connected parties and to generate additional income for the Group. The Group has provided loans to connected parties in accordance with the terms of the framework agreements entered into between the Company and Oceanwide Holdings Co., Ltd.\* (泛海控股股份有限公司), Tohigh Holdings Co., Ltd.\* (通海控股有限公司) and China Oceanwide Holdings Limited respectively, on 21 September 2017 and 30 August 2019, in relation to, among other things, lending transactions between the parties (the “Framework Agreements”). The Framework Agreements and the relevant annual caps of the continuing connected transactions were approved by the independent shareholders of the Company at the special general meetings of the Company held on 20 November 2017, 11 October 2019 and 26 February 2021 respectively. The provision of loans to connected parties falls within the limit of the respective maximum daily outstanding balances of financial assistance. The Board has considered, among other things, the following factors to assess the recoverability of the Group’s loans from connected parties before extension of existing loan and granting a new loan to connected parties:

- due diligence on the financials of connected parties, such as the net asset value and gearing ratio;
- the credit and repayment history of the connected parties; and
- any litigation or bankruptcy record of the connected parties.

**(2) Unsecured loans to independent third parties**

Identities of borrowers	Principal amount <i>HK\$ million</i>	Carrying amount as at 30 Jun 2022 <i>HK\$ million</i>	Impairment loss for the interim 2022 <i>HK\$ million</i>	Interest rate	Loans granted date	Tenure	Details of personal guarantee	Their ultimate beneficial owners	Latest status of repayment as at 30 June 2022
Corporate Client 1	164	56	—	9.75%	28 Jun 2020	Within 1 year	by Mr. SHI Yuzhu #	Note 1	Overdue
Corporate Client 2	308	253	—	8%-9.75%	24 Aug 2021 -1 Apr 2022	Within 1 year	by Mr. HAN Lei ##	Mr. HAN Lei	Interest of HK\$3 million was overdue
	472	309	—						

*Note 1* Corporate Client 1 was indirectly wholly-owned by an irrevocable discretionary trust which Mr. SHI Yuzhu and his family members are the beneficiaries and no individual beneficiary holds more than 10% vested interest in the trust and the trustee was Wickhams Cay Trust Company Limited.

# The details of personal guarantee and ultimate beneficial owners of Corporate Client 1 were set out in the page 17 of the Company’s respective circular dated 25 January 2021.

## The ultimate beneficial owners and the personal guarantor of Corporate Client 2 were set out in the page 22 of the Company’s respective circular dated 27 May 2022.

**(b) Details of the unlisted debt securities with ECL charged of HK\$37.8 million in interim 2022**

	Identity of borrower	Principal amount		Carrying amount as at	Impairment loss for the	Coupon rate	Date of subscription	Tenure	Ultimate beneficial owner	Latest status of repayment as at 30 Jun 2022
		<i>US\$ million</i>	<i>HK\$ million</i>	30 Jun 2022 <i>HK\$ million</i>	interim 2022 <i>HK\$ million</i>					
1	Oceanwide Holdings International Development III Co., Ltd.	103	808	240	38	11.80%	2 Jun 2021– 26 Apr 2022	Within 1 year	Mr. LU Zhiqiang	Principal of HK\$93.6 million and interest of HK\$56 million were overdue

**(c) Reasons for the Impairment**

The Group adopted the requirements in respect of ECL assessment set forth in HKFRS 9 issued by the HKICPA in determining the impairment loss allowance for its loan receivables.

The Company has taken into account the following factors on the impairment assessment for the outstanding loans and unlisted debt securities due from the connected parties and independent third parties in accordance with the HKFRS 9:

- (i) the probability of default and the likelihood that the borrowers may fail to pay back the loans. The Company will perform due diligence on the financial statements and consider the macro-environment and the latest announcements of the borrowers. The repayment history of the borrowers will also be taken into account;
- (ii) the loss given default and the expected cash shortfall between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive. The Company will consider the value of the collaterals pledged for the loans, if any; and
- (iii) forward-looking market data such as gross domestic product will also has impact to the recoverability of the loans.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

**(d) Key assumptions and basis in determining the amount of the Impairment**

For the purpose of impairment assessment, other loans and unlisted debt securities of the Company are classified as stage 1, 2 and 3. According to the prevailing accounting standard, Stage 1 are loans with no significant increase in credit risk of the financial instrument since their initial recognition. Stage 2 are loans with increase in credit risk of the financial instrument since their initial recognition. Stage 3 loans has significant increase in credit risk of the financial instrument since initial recognition and considered as credit-impaired. Impairment was assessed for each of the loans and the ECL model for internal impairment assessment has taken into account the following: 1) expected life and contractual terms of a financial instrument 2) market probability of default 3) market loss given default or discounted recovery rate and 4) forward-looking market data.

The ECL valuation method and the key parameters input for the ECL model of interim 2022, including probability of default and expected recovery rate from loss given default rate, remain the same as the year 2021.

Details of accumulative provision rate for the above loans and unlisted debt securities are summarized below:

	Identities of borrowers	Gross amount <i>HK\$ million</i>	Accumulated	Carrying	Accumulative ECL%	Stage
			provision as at 30 Jun 2022 <i>HK\$ million</i>	amount as at 30 Jun 2022 <i>HK\$ million</i>		
1	China Oceanwide International Investment Company Limited (including Minyun Limited)	1,289	(926)	363	72%	3
2	Oceanwide Holdings International Development III Co., Ltd	1,654	(1,204)	450	73%	3
3	China Oceanwide Holdings Limited	539	(372)	167	69%	3
4	Corporate Client 1	174	(118)	56	68%	3
5	Corporate Client 2	318	(65)	253	20%	2
		<u>3,974</u>	<u>(2,685)</u>	<u>1,289</u>		

## **MONEY LENDING**

### **(i) Company's money lending business and credit risk assessment policy**

The Company's money lending business offers both secured and unsecured loans to borrowers comprising individuals and corporations. The money lending business generates revenue and profit by way of providing loans to earn interest income.

The Company has adopted a credit risk policy to manage its money lending business which includes compliance with all applicable laws and regulations, credit assessment on potential borrower and its assets, the credibility of the potential borrower, the necessity in obtaining collaterals, assessment of the use of proceeds and the source of repayment.

The scope of money lending services provided by the money lending business generally includes personal loans, business loans and mezzanine loans. The Company try to diversify the loan portfolio by providing to different borrowers to lower the concentration risk. We do not have a pre-defined risk appetite and set of criteria for loan acceptance. The credit risk assessment was made in case-by-case basis by reviewing the financials of borrowers, considering the borrower's repayment history and evaluating whether the borrowers are in bankruptcy, receivership or liquidation. Within a loan category, the interest rates, the duration of the loan and repayment terms of the loan vary. The determination of the loan terms reflects the risk level of the provision of loan and ensure the risk is at a controllable level.

Provision of loans is one of the principal businesses of the Group. Management's discussion on the movements in material loans for renewal of existing loan or newly granting of the loans have been disclosed in the announcement or circular. For loans to connected parties, they have to fall within the Framework Agreements and the relevant annual caps of the continuing connected transactions were approved by the independent shareholders of the Company at the special general meetings of the Company held on 20 November 2017, 11 October 2019 and 26 February 2021 respectively. For material loans to independent third parties, the summary of relevant Company's announcement and circular made during the six months ended 30 June 2022 were set out below:

<b>Identities of borrowers</b>	<b>Loan amounts disclosed in Announcement or Circular Respective Announcement or Circular <i>HK\$ million</i></b>
Hong Kong Hoi Hing International Limited	60 Pages 3–4 of Announcement dated 10 January 2022
YL Asia Pacific Innovation and Technology Services Limited	120 Page 2 of Announcement dated 17 January 2022
Sunny Chance Investment Limited	181 Pages 2–4 of Announcement dated 12 May 2022
Oceanic Vanguard Investments Limited	275 Pages 2–5 of Announcement dated 12 May 2022
Grand Profit International Investment Limited	308 Pages 2–4 of Announcement dated 12 May 2022

**(ii) Major terms of loans granted (including details of the collaterals), size and diversity of clients and concentration of loans on major clients**

To diversify the clients and lower the concentration of loans portfolio, our borrowers included individuals, listed companies and companies from different industries such as securities investment, real estate and consultation service. As at 30 June 2022, the Group has 19 borrowers, of which 15 unlisted corporate borrowers, 1 listed corporate borrower and 3 individual borrowers.

As at 30 June 2022, the Group has 42 loans with principal amounts ranged from HK\$2.2 million to HK\$678 million with interest rate ranged from 6.5% to 12%. The loans portfolio fell with the following bands:

<b>Loan size of Principal</b>	<b>Number of loans fall into the band</b>
Above HK\$500 million–HK\$1,000 million	1
Above HK\$100 million–HK\$500 million	13
Above HK\$50 million–HK\$100 million	6
Above HK\$10 million–HK\$50 million	15
Above HK\$5 million–HK\$10 million	3
HK\$0–HK\$5 million	4
	<hr/>
	42
	<hr/> <hr/>

Out of the 42 loans, 2 loans were secured by shares and assets of private companies with personal guarantee (6% of the total principal amount of the Group's loan portfolio), 2 were secured by assets of private companies and unguaranteed (1% of the total principal amount of the Group's loan portfolio), 11 unsecured loans with personal guarantee (47% of the total principal amount of the Group's loan portfolio) and the remaining 27 loans are unsecured and unguaranteed (46% of the total principal amount of the Group's loan portfolio).

As at 30 June 2022, the top five borrowers constituted 73% of the total principal amount of the Group's loan portfolio.

**(iii) Reasons for loan impairments (and write-offs)**

Management's discussion and the underlying reasons for the movements in loan impairments are that the ECL recognized primarily represented the credit risk involved in collectability of certain loans determined under the Company's loan impairment policy, with reference to factors including the credit history, financial conditions of the borrowers and forward-looking information. In accordance with the Company's loan impairment policy, the Company will apply the prevailing accounting standard to make such impairment. Therefore, the amount of ECL is updated at each reporting date to reflect the changes in credit risk on loan receivables since initial recognition.

At interim 2022, the gross amounts of other loans have increased by HK\$181.9 million from HK\$4,037.6 million as at 31 December 2021 to HK\$4,219.5 million. For interim 2022, the ECL provision charged on other loans is HK\$34.6 million which raised the accumulated provision from HK\$2,439.5 million to HK\$2,474.1 million at interim 2022. Therefore, the net amount of other loan has changed from HK\$1,598.1 million as at 31 December 2021 to HK\$1,745.5 million at interim 2022.

## **PROSPECTS**

Under the current macro environment of huge uncertainties, we will continuously focus our resources in maintaining the soundness and sustainability of our brokerage, corporate finance and asset management businesses, and improving our system efficiency and service quality. We are proactively reducing our balance sheet to mitigate several kinds of risks. At the same time, we shall closely monitor our loan portfolio and will take necessary recovery actions in a timely fashion.

## **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 and notes from independent third parties. From time to time, the Company may raise capital by issuing new shares or issuing debt instruments. The Group's cash level as at 30 June 2022 stood at around HK\$214 million (31 December 2021: HK\$405 million).

As at 30 June 2022, the Group's total borrowings was HK\$1,159 million, showing a drop of 23% from HK\$1,503 million as at 31 December 2021. Borrowings mainly consisted of two components.

- The first component was utilised bank facilities of around HK\$799 million (31 December 2021: HK\$1,187 million), of which the Group had available aggregate banking facilities of around HK\$1,390 million (31 December 2021: HK\$1,888 million). Most of our banking facilities are based on putting our margin clients' stock as collaterals (commonly known as "margin loan") and are pledged by certain group assets.
- The second component was private notes issued by our listed company and loans from other parties (mainly non-bank financial institutions), which amounted to HK\$360 million (31 December 2021: HK\$316 million). They were very short term instruments ranging from 30 days to 180 days.

As at 30 June 2022, the Group's gearing ratio (leverage) was 35% (31 December 2021: 43%), being calculated as total borrowings and lease liabilities over net assets. The management has applied prudent risk and credit management on our borrowings. In addition, the Group is required to strictly follow regulatory re-pledging ratios and prudent bank borrowing benchmarks that govern the extent of bank borrowings in the securities margin lending business.

## **MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS**

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

## **CHARGES ON THE GROUP'S ASSETS**

As at 30 June 2022, assets of HK\$717 million (31 December 2021: HK\$985 million) were charged to banks and other lenders for facilities.

## **EMPLOYEES AND REMUNERATION POLICIES**

On 30 June 2022, the Group had 197 full time employees (31 December 2021: 222) in Hong Kong and 25 full time employees (31 December 2021: 33) in Mainland China. In addition, the Group has 88 self-employed sales representatives (31 December 2021: 85). Competitive total remuneration packages are offered to employees by reference to industry remuneration research reports, prevailing market practices and standards and individual merit. Salaries are reviewed annually, and discretionary bonuses are paid with reference to individual performance appraisals, prevailing market conditions and the Group's financial performance. Other benefits offered by the Group include a mandatory provident fund scheme and medical and health insurance.

## **RISK MANAGEMENT**

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

### **Credit Risk**

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

## **Market Risk**

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

## **Liquidity Risk**

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

## **Operational Risk**

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

## **Regulatory Compliance Risk**

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

## **INTERIM DIVIDEND**

The Board of the Company has resolved not to declare an interim dividend in respect of the six months ended 30 June 2022 (2021: Nil).

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any listed securities of the Company.

## **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.

In response to special enquiry, all of the Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company throughout the six months ended 30 June 2022.

## **CORPORATE GOVERNANCE PRACTICES**

The Board considers that the Company has applied the principles and complied with the code provisions set out in the Corporate Governance Code of Appendix 14 of the Listing Rules throughout the six months ended 30 June 2022 and subsequent period up to the date of this announcement.

## AUDIT COMMITTEE REVIEW

The audit committee of the Company comprises one non-executive Director and 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 2022 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 2022 of the Group is published on the websites of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.tonghaifinancial.com](http://www.tonghaifinancial.com) respectively. The 2022 Interim Report 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, 30 August 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

\* *for identification purpose only*