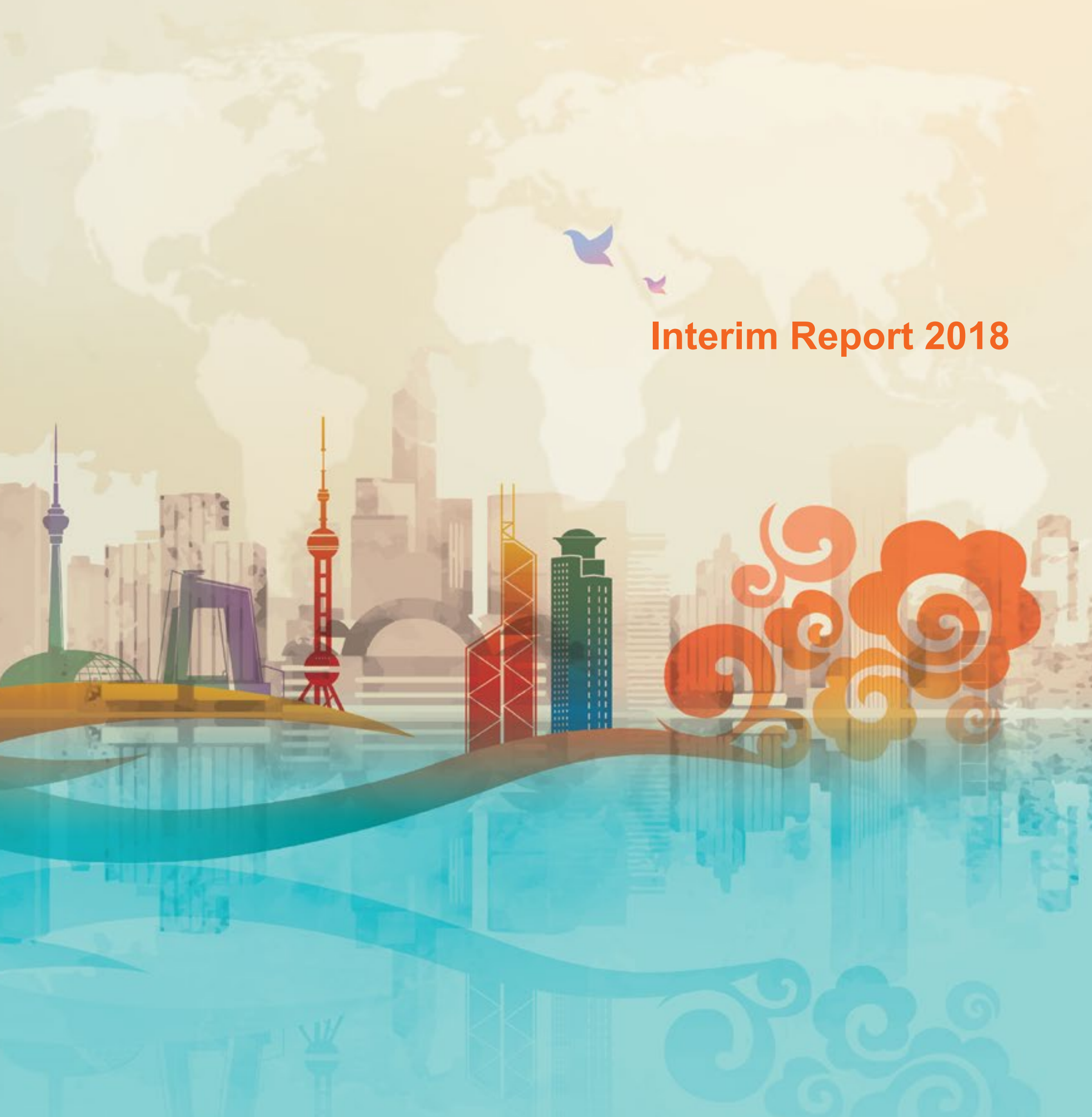
中國通海國際金融有限公司
CHINA TONGHAI INTERNATIONAL FINANCIAL LIMITED

(Formerly known as China Oceanwide International Financial Limited)
(Incorporated in Bermuda with limited liability)
Stock Code: 00952



Interim Report 2018

This report is printed on environmentally friendly paper

Contents

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	5	**167,642**	166,517
Interest income	5	**171,702**	37,674
Net investment income	5	**(71,243)**	19,971
Total revenue	5	**268,101**	224,162
Other operating income and net gains/(net losses)	6	**8,917**	(3,846)
Cost of services provided		**(100,451)**	(89,031)
Staff costs	7	**(85,396)**	(64,053)
Depreciation and amortisation	7	**(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	7	**37,513**	25,974
Income tax expense	8	**(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	10	**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	11	**16,381**	13,483
Investment properties	11	**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	12	**11,411**	11,615
Interests in joint ventures		**41,853**	42,028
Other assets	13	**18,201**	23,619
Other financial assets measured at amortised cost	16	**492,922**	458,333
Financial assets measured at fair value through profit or loss	17	**121,912**	88,007
Deferred tax assets		**4,866**	6,612
Deposits for subscription of shares	22	**—**	46,910
Deposits for leasehold improvements and equipment		**858**	1,458
		738,880	722,763
Current assets			
Accounts receivable	14	**720,482**	812,991
Margin loans	15	**2,215,168**	2,130,082
Other financial assets measured at amortised cost	16	**1,726,838**	889,240
Prepayments, deposits and other receivables		**66,478**	27,797
Financial assets measured at fair value through profit or loss	17	**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
Current liabilities			
Accounts payable	18	**2,093,441**	2,177,557
Obligations under repurchase agreements	19	**34,434**	305,708
Bank and other borrowings	20	**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	20	**50,000**	—
Net assets		**5,767,404**	5,737,423
EQUITY			
Equity attributable to Company's owners			
Share capital	21	**20,740**	20,740
Reserves		**5,746,664**	5,716,683
Total equity		**5,767,404**	5,737,423

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June 2018 HK$'000 (Unaudited)	Six months ended 30 September 2017 HK$'000 (Unaudited)
Cash flows from operating activities		
Profit before income tax	**37,513**	25,974
Adjustments for:		
Amortisation of development costs and other intangible assets	**1,102**	1,110
Changes in net assets value attributable to other holders of a consolidated investment fund	**(4,299)**	6,972
Depreciation of leasehold improvements and equipment	**3,944**	3,202
Dividend income	**(4,107)**	(493)
Finance charges under repurchase agreements and corporate notes	**6,560**	—
Gain on revaluation of investment properties	**(600)**	(660)
Impairment of accounts receivable	**153**	15
Interest income from banks and other financial assets	**(90,239)**	(5,915)
Net losses on disposals of leasehold improvements and equipment	**142**	1
Share of results of an associate	**—**	(2,207)
Share of results of joint ventures	**(397)**	1,177
Operating (loss)/profit before working capital changes	**(50,228)**	29,176
Decrease in other assets	**5,418**	4,095
Decrease in accounts receivable, prepayments, deposits and other receivables	**68,043**	190,591
Increase in margin loans	**(85,086)**	(212,132)
Decrease/(Increase) in financial assets measured at fair value through profit or loss	**110,938**	(394,905)
Increase in trust time deposits and trust bank balances held on behalf of clients	**(51,450)**	(335,096)
Decrease in accounts payable, contract liabilities, accruals and other payables	**(104,709)**	(15,862)
Cash used in operations	**(107,074)**	(734,133)
Income tax paid	**(48)**	(346)
Income tax refunded	**1,999**	—
Net cash used in operating activities	**(105,123)**	(734,479)

	Six months ended 30 June 2018 HK$'000 (Unaudited)	Six months ended 30 September 2017 HK$'000 (Unaudited)
Cash flows from investing activities		
Capital contribution to a private equity fund	**(36,319)**	(156,148)
Dividend received	**4,107**	493
Interest received from banks and other financial assets	**75,359**	5,915
Subscription of unlisted equity securities	**(423,438)**	—
Net cash inflow on consolidation of an investment fund	**—**	18,225
Net cash outflow on deconsolidation of an investment fund	**—**	(6,130)
Proceeds from disposals of leasehold improvements and equipment	**8**	1
Purchases of intangible assets	**(280)**	(69)
Purchases of leasehold improvements and equipment	**(6,397)**	(3,171)
Subscription of corporate bonds and notes	**(143,403)**	—
Return of capital from a private equity fund	**2,542**	—
Net cash used in investing activities	**(527,821)**	(140,884)
Cash flows from financing activities		
Net cash outflow in loan receivables	**(721,669)**	(491,921)
Net proceeds from bank and other borrowings	**771,226**	—
Net repayment of bank and other borrowings	**—**	(201,820)
Interest paid under repurchase agreements and corporate notes	**(2,891)**	—
Issue of corporate notes	**335,390**	—
Payments on redemption of shares by other holders of a consolidated investment fund	**(12,930)**	(3,886)
Proceeds from shares issued to other holders of a consolidated investment fund	**20,856**	—
Proceeds from shares issued under rights issue	**—**	5,133,190
Proceeds from shares issued upon exercise of warrants	**—**	109
Proceeds received under repurchase agreements	**263,265**	195,268
Repayment of obligations under repurchase agreements	**(534,539)**	—
Transaction costs attributable to the issue of new shares	**—**	(6,060)
Net cash generated from financing activities	**118,708**	4,624,880
Net (decrease)/increase in cash and cash equivalents	**(514,236)**	3,749,517
Cash and cash equivalents at the beginning of the period	**1,074,932**	63,230
Effect of foreign exchange rate changes, on cash held	**(25)**	31
Cash and cash equivalents at the end of the period	**560,671**	3,812,778

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company											
	Share capital HK$'000 (Unaudited)	Share premium HK$'000 (Unaudited)	Capital redemption reserve HK$'000 (Unaudited)	Contributed surplus HK$'000 (Unaudited)	Exchange reserve HK$'000 (Unaudited)	Investment revaluation reserve HK$'000 (Unaudited)	Property revaluation reserve HK$'000 (Unaudited)	Shareholder's contribution HK$'000 (Unaudited)	Shares held for share award scheme HK$'000 (Unaudited)	Warrants reserve HK$'000 (Unaudited)	Retained profits HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
At 1 January 2018	20,740	5,135,621	936	352,580	490	(13,841)	5,255	1,811	(905)	—	234,736	5,737,423
Profit for the period	—	—	—	—	—	—	—	—	—	—	30,758	30,758
Other comprehensive income												
— Exchange loss on translation of financial statements of foreign operations	—	—	—	—	(573)	—	—	—	—	—	—	(573)
— Changes in fair value of financial assets measured at fair value through other comprehensive income	—	—	—	—	—	(204)	—	—	—	—	—	(204)
Total comprehensive income for the period	—	—	—	—	(573)	(204)	—	—	—	—	30,758	29,981
At 30 June 2018	20,740	5,135,621	936	352,580	(83)	(14,045)	5,255	1,811	(905)	—	265,494	5,767,404

Attributable to owners of the Company

	Share capital HK$'000 (Unaudited)	Share premium HK$'000 (Unaudited)	Capital redemption reserve HK$'000 (Unaudited)	Contributed surplus HK$'000 (Unaudited)	Exchange reserve HK$'000 (Unaudited)	Investment revaluation reserve HK$'000 (Unaudited)	Property revaluation reserve HK$'000 (Unaudited)	Shareholder's contribution HK$'000 (Unaudited)	Shares held for share award scheme HK$'000 (Unaudited)	Warrants reserve HK$'000 (Unaudited)	Retained profits HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
At 1 April 2017	5,184	23,932	936	352,580	(2,119)	(11,616)	5,255	1,811	(905)	8	191,449	566,515
Exercise of Warrants	1	114	–	–	–	–	–	–	–	(6)	–	109
Issue of shares under rights issue	15,555	5,117,635	–	–	–	–	–	–	–	–	–	5,133,190
Transaction cost attributable to the issue of new shares	–	(6,060)	–	–	–	–	–	–	–	–	–	(6,060)
Transactions with owners	15,556	5,111,689	–	–	–	–	–	–	–	(6)	–	5,127,239
Profit for the period	–	–	–	–	–	–	–	–	–	–	21,452	21,452
Other comprehensive income												
– Exchange gain on translation of financial statements of foreign operations	–	–	–	–	1,577	–	–	–	–	–	–	1,577
– Changes in fair value of financial assets measured at fair value through other comprehensive income	–	–	–	–	–	(433)	–	–	–	–	–	(433)
Total comprehensive income for the period	–	–	–	–	1,577	(433)	–	–	–	–	21,452	22,596
Lapsed of warrants	–	–	–	–	–	–	–	–	–	(2)	2	–
At 30 September 2017	20,740	5,135,621	936	352,580	(542)	(12,049)	5,255	1,811	(905)	–	212,903	5,716,350

Notes to the Condensed Consolidated Interim Financial Statements

1. GENERAL INFORMATION

The Company is a limited liability company incorporated and domiciled in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and, its principal place of business is 18th and 19th Floors, China Building, 29 Queen's Road Central, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

Subsequent to the approval of the change of company name by the shareholders of the Company at the special general meeting held on 27 March 2018, the English name of the Company was changed from "China Oceanwide International Financial Limited" to "China Tonghai International Financial Limited" and the adoption of the Chinese name "中國通海國際金融有限公司" as the secondary name of the Company in place of the Chinese secondary name "中國泛海國際金融有限公司" with effect from 28 March 2018.

The Company and its subsidiaries (together the "Group") are principally engaged in the following activities:

— discretionary and non-discretionary dealing services for securities, futures and options, securities placing and underwriting services, margin financing and money lending services, insurance broking and wealth management services

— corporate finance advisory and general advisory services

— fund management, discretionary portfolio management and portfolio management advisory services

— financial media services

— investing and trading of various investment products

The unaudited interim financial statements for the six months ended 30 June 2018 were approved for issue by the Board on 29 August 2018. These interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the period from 1 April 2017 to 31 December 2017.

2. 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.

3. 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.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

HKFRS 9 (2014), Financial Instruments (Continued)

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.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

HKFRS 9 (2014), Financial Instruments (Continued)

Impairment of financial assets (Continued)

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".

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

HKFRS 9 (2014), Financial Instruments (Continued)

Impairment of financial assets (Continued)

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 has 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.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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.

4. 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;

4. SEGMENT INFORMATION (CONTINUED)

(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

4. SEGMENT INFORMATION (CONTINUED)

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 HK$'000 (Unaudited)	Six months ended 30 September 2017 HK$'000 (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

4. SEGMENT INFORMATION (CONTINUED)

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.

5. 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

5. REVENUE (CONTINUED)

	Six months ended 30 June 2018 HK$'000 (Unaudited)	Six months ended 30 September 2017 HK$'000 (Unaudited)
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

6. 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)

7. 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

8. 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)

9. 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).

10. 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 HK$'000 (Unaudited)	Six months ended 30 September 2017 HK$'000 (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 Number of shares (Unaudited)	Six months ended 30 September 2017 Number of shares (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

11. LEASEHOLD IMPROVEMENTS AND EQUIPMENT AND INVESTMENT PROPERTIES

	Leasehold improvements and equipment				
	Leasehold improvements HK$'000 (Unaudited)	Furniture, fixtures and equipment HK$'000 (Unaudited)	Subtotal HK$'000 (Unaudited)	Investment properties HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Six months ended 30 June 2018					
Opening net carrying amount	**3,724**	**9,759**	**13,483**	**10,200**	**23,683**
Additions	**4,923**	**2,074**	**6,997**	**—**	**6,997**
Disposals	**—**	**(150)**	**(150)**	**—**	**(150)**
Depreciation	**(1,926)**	**(2,018)**	**(3,944)**	**—**	**(3,944)**
Fair value change	**—**	**—**	**—**	**600**	**600**
Translation differences	**—**	**(5)**	**(5)**	**—**	**(5)**
Closing net carrying amount	**6,721**	**9,660**	**16,381**	**10,800**	**27,181**
Six months ended 30 September 2017					
Opening net carrying amount	3,277	9,908	13,185	9,340	22,525
Additions	12	1,804	1,816	—	1,816
Disposals	—	(2)	(2)	—	(2)
Depreciation	(1,304)	(1,898)	(3,202)	—	(3,202)
Fair value change	—	—	—	660	660
Translation differences	—	9	9	—	9
Closing net carrying amount	1,985	9,821	11,806	10,000	21,806

12. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2018 HK$'000 (Unaudited)	As at 31 December 2017 HK$'000 (Audited)
Unlisted equity securities	**11,411**	11,615

Fair value of the unlisted equity securities has been determined by using the discounted cash flow valuation technique. The valuation involves assumptions and estimates, including discount rate of 16% (31 December 2017: 16%) and the expected future cash flows from the unlisted equity securities. The directors believe that the estimated fair value resulting from the valuation technique, which is recorded in the condensed consolidated statement of financial position and the related changes in fair value, which is recorded in the condensed consolidated statement of comprehensive income, is reasonable, and that is the most appropriate value at the reporting date.

13. OTHER ASSETS

Other assets mainly comprise deposits with the Stock Exchange and clearing houses.

14. 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

15. 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).

16. OTHER FINANCIAL ASSETS MEASURED AT AMORTISED COST

	As at 30 June 2018 HK$'000 (Unaudited)	As at 31 December 2017 HK$'000 (Audited)
Loan receivables from money lending services		
— Secured (note (a))	**881,987**	1,125,425
— Guaranteed (note (a))	**796,871**	89,649
— Unsecured (note (a))	**280,000**	15,043
Unlisted corporate bonds		
— Guaranteed (note (b))	**117,710**	117,499
— Unsecured (note (c))	**94,167**	—
Unlisted corporate notes		
— Secured (note (d))	**49,025**	—
	2,219,760	1,347,616
Less: provision for impairment	**—**	(43)
	2,219,760	1,347,573
Non-current	**492,922**	458,333
Current	**1,726,838**	889,240
	2,219,760	1,347,573

16. OTHER FINANCIAL ASSETS MEASURED AT AMORTISED COST (CONTINUED)

Notes:

(a) The loan receivables bear interest at fixed rates ranging from 5% to 12% (31 December 2017: 5% to 12%) per annum.

(b) The guaranteed corporate bonds are held with a single party, carry interest at 6.25% (31 December 2017: 6.25%) per annum and due in December 2018.

(c) The unsecured corporate bonds are held with a fellow subsidiary, carry interest at 9.50% (31 December 2017: Nil) per annum and due in June 2019.

(d) The secured corporate notes are held with a single party, carry interest at 6.25% and 8.25% (31 December 2017: Nil) per annum for each of the first and second anniversary of the issue date and due in June 2020.

17. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	**As at 30 June 2018 HK$'000 (Unaudited)**	As at 31 December 2017 HK$'000 (Audited)
Listed debt securities		**72,124**	726,168
Listed equity securities		**598,591**	769,720
Unlisted debt securities		**714,104**	—
Unlisted equity securities	(a)	**472,088**	—
Unlisted mutual fund	(b)	**8,744**	9,231
Private equity fund	(c)	**120,662**	88,007
		1,986,313	1,593,126
Non-current		**121,912**	88,007
Current		**1,864,401**	1,505,119
		1,986,313	1,593,126

Notes:

(a) The Group had entered into agreements for subscription of shares in two private entities in December 2017. Under the agreements, the Group subscribed 3,529,411 ordinary shares and 4,000,000 ordinary shares of the respective entities for a total consideration of approximately US$60,000,000 and had paid deposits of US$6,000,000 as at 31 December 2017. Upon the completion of these shares subscriptions in January 2018, the Group's interests in each of these entities are less than 1%.

(b) Pursuant to the subscription agreement, the Group's interest in the above mutual fund is in the form of redeemable shares, which is puttable at the holder's option and entitles the Group to a proportionate stake in the fund's net assets. The mutual fund is managed by an investment manager who is empowered to manage its daily operations and apply various investment strategies to accomplish its investment objectives.

The Group served as an investment manager for this mutual fund and generated management and performance fee income from managing assets on behalf of investors. As the variable returns the Group exposed are not significant, the Group did not consolidate the above mutual fund in which it holds an interest.

17. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Notes: (Continued)

(c) The Group had committed to invest US$20 million in Oceanwide Pioneer Limited Partnership (the "Fund"), representing 44%* of the aggregated capital committed by all partners in the Fund. Following the acceptance of the subscription agreement by the general partner, the Group was admitted as a limited partner.

The Fund is a close-ended private equity fund structured as a Cayman Islands exempted limited partnership. Under the subscription agreement, the limited partners do not have the power to participate in the financial and operating policy decisions of the Fund, whilst the general partner has the rights and power to administer the affairs of the Fund and include all powers statutory and otherwise, which may be possessed under the laws of Cayman Islands. Though the Group had served as an investment manager and generated management fee income from managing assets on behalf, as the Group as an investment manager is terminable by the general partner without a cause, and the Group did not have any control or significant influence over the general partner, the Group did not consolidated or accounted for the Fund as an associate despite of its equity interest of 44%*.

* rounded to the nearest one percent

18. 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.

19. OBLIGATIONS UNDER REPURCHASE AGREEMENTS

	As at 30 June 2018 HK$'000 (Unaudited)	As at 31 December 2017 HK$'000 (Audited)
Analysed by collateral type		
— Corporate bonds	**34,434**	71,159
— Equity securities	**—**	234,549
	34,434	305,708

The Group sold securities under repurchase agreements at purchase prices of approximately US$4,388,000 (31 December 2017: US$39,102,000) and the Group agreed to repurchase the securities on the scheduled repurchase dates for considerations equal to the respective purchase price and an amount representing the product of the relevant purchase price and a spread. As the Group retained substantially the risks and rewards of ownership of the transferred securities, these transactions were accounted for as financing arrangements to the Group with the transferred securities as collaterals. The Group continued to recognise the transferred securities and recognised the consideration received on transfer as financial liabilities. The following present the transferred securities at the reporting date:

	As at 30 June 2018 HK$'000 (Unaudited)	As at 31 December 2017 HK$'000 (Audited)
Other financial assets measured at amortised cost		
— Unlisted corporate bonds	**—**	101,638
Financial assets measured at fair value through profit or loss		
— Listed debt securities	**48,073**	—
— Listed equity securities	**—**	384,309
	48,073	485,947

In addition, the repurchase agreements contain clauses which give the buyers a right to require the Group to repurchase the transferred securities before the scheduled repurchase dates. Accordingly, the amounts are classified under current liabilities.

20. BANK AND OTHER BORROWINGS

	As at 30 June 2018 HK$'000 (Unaudited)	As at 31 December 2017 HK$'000 (Audited)
Bank loans (note (a))		
— Secured	**882,166**	255,940
— Unsecured	**145,000**	—
Note payables (note (b))		
— Unsecured	**335,390**	—
	1,362,556	255,940
Repayable on demand or within 1 year	**1,312,556**	255,940
Repayable in the 2nd year	**50,000**	—
	1,362,556	255,940

Notes:

(a) Bank loans of HK$962,166,000 (31 December 2017: HK$255,940,000) were secured by corporate guarantees issued by the Company and/or securities collateral pledged to the Group by margin clients with total market value of HK$2,476,377,000 (31 December 2017: HK$856,149,000). Specific written authorisations have been obtained by the Group from the margin clients for such use over the clients' securities. The bank loans bear interest at floating rates ranging from 3.05% to 4.65% (31 December 2017: 2.47% to 3.85%) per annum.

(b) The notes bear interest at fixed rates ranging from 4.00% to 6.00% (31 December 2017: Nil) per annum.

21. SHARE CAPITAL

	Number of ordinary shares of HK one third of one cent each (Unaudited)	HK$'000 (Unaudited)
Authorised		
At 1 April 2017, 30 September 2017, 1 January 2018 and 30 June 2018	30,000,000,000	100,000
Issued and fully paid		
At 1 January 2018 and 30 June 2018	6,222,049,220	20,740
At 1 April 2017	1,555,294,705	5,184
Exercise of warrants (note (a))	217,600	1
Issue of shares under rights issue (note (b))	4,666,536,915	15,555
At 30 September 2017	6,222,049,220	20,740

Notes:

(a) Holders of the warrants had exercised their rights to convert 217,600 warrants at the exercise price of HK$0.50 each into 217,600 ordinary shares of HK one third of one cent each of the Company during the six months ended 30 September 2017.

(b) In August 2017, 4,666,536,915 ordinary shares of HK one third of one cent each were issued by way of rights issue at a subscription price of HK$1.10 per share.

All issued shares rank pari passu in all respects including all rights as to dividends, voting and return of capital.

22. CAPITAL COMMITMENTS

At the reporting date, the Group had the following capital commitments which were contracted, but not provided for:

	As at 30 June 2018 HK$'000 (Unaudited)	As at 31 December 2017 HK$'000 (Audited)
Capital contributions payable to a private equity fund	32,637	66,292
Leasehold improvements and equipment	2,172	1,288
Subscription of shares (note)	—	422,188
	34,809	489,768

Note: The Group had entered into agreements for subscription of shares in two private entities for a total consideration of approximately US$60,000,000 in December 2017. As at 31 December 2017, the Group had paid deposits of US$6,000,000. Upon the completion of these shares subscriptions in January 2018, the investments had been classified under "Financial assets measured at fair value through profit or loss".

23. RELATED PARTY TRANSACTIONS

	Six months ended 30 June 2018 HK$'000 (Unaudited)	Six months ended 30 September 2017 HK$'000 (Unaudited)
(A) Arising from continuing connected transactions with directors from brokerage and interest income business (note (a))		
Directors of the Company		
— Commission income from securities and futures dealings	85	253
— Interest income from margin financing	406	39
Close family members of directors of the Company		
— Commission income from securities and futures dealings	10	26
(B) Arising from continuing connected transactions from asset management business (note (b))		
Related company — Company indirectly owned by Mr. LU Zhiqiang, the ultimate controlling shareholder of the Company		
— Assets management fee income	3,567	—
Fellow subsidiary		
— Advisory fee expenses	1,784	—

23. RELATED PARTY TRANSACTIONS (CONTINUED)

	Six months ended 30 June 2018 HK$'000 (Unaudited)	Six months ended 30 September 2017 HK$'000 (Unaudited)
(C) Arising from continuing connected transactions with China Oceanwide Group, Oceanwide Holdings Group and Tohigh Group (note (c))		
China Oceanwide Group*		
— Interest Income	**8,504**	—
Oceanwide Holdings Group*		
— Interest income	**17,084**	—
— Commission income	**3,924**	—
— Research fee expenses	**250**	—
Tohigh Group*		
— Interest income	**13,614**	—
— Arrangement fee income	**50**	—
(D) Arising from other related party transactions (note (d))		
Related company — Company in which Mr. LU Zhiqiang, the ultimate controlling shareholder of the Company, is also a director of its parent company		
— Commission income from securities and futures dealings	**—**	63
— Interest income	**342**	109
Related company — Company in which Mr. LU Zhiqiang, the ultimate controlling shareholder of the Company, had indirect significant influence		
— Interest income	**2,904**	—
— Advisory fee income	**3,300**	—
Associate		
— Assets management fee income	**—**	197
Fellow subsidiary		
— Advisory fee income	**—**	100
— Commission income	**—**	117
Director of the Company		
— Interest expenses	**—**	39
— Motor vehicle expenses	**126**	126

* China Oceanwide Group includes China Oceanwide Holdings Limited and its subsidiaries. Oceanwide Holdings Group includes Oceanwide Holdings Co., Ltd and its subsidiaries, which excludes the China Oceanwide Group and the Group. Tohigh Group includes Tohigh Holdings Co., Ltd and its subsidiaries, which excludes the China Oceanwide Group, the Oceanwide Holdings Group and the Group. The definitions of China Oceanwide Group, Oceanwide Holdings Group and Tohigh Group were set out in the Company's circulars dated 31 October 2017.

23. RELATED PARTY TRANSACTIONS (CONTINUED)

Notes:

(a) The income from connected transactions with directors of the Company and the subsidiaries and their close family members was based on the pricing stated in the letters stipulating the applicable service fees and interest rate for dealing services. Details of the annual caps of the connected dealings services and connected margin loans were set out in the Company's circulars dated 26 April 2016.

(b) The connected transactions from asset management business (including asset management fee income and advisory fee expenses) were based on the relevant management and advisory agreements. Details of the annual caps of the management fee income and advisory fee expenses were set out in the Company's announcement dated 20 September 2017.

(c) The income and expenses arising from connected transactions with China Oceanwide Group, Oceanwide Holdings Group and Tohigh Group were charged based on the respective framework services agreement. Details of the annual caps of these income and expense and the maximum daily outstanding balances were set out in the Company's circulars dated 31 October 2017.

(d) The transactions are related party transactions under HKAS 24 (Revised) — Related Party Disclosures.

Compensation of key management personnel

	Six months ended 30 June 2018 HK$'000 (Unaudited)	Six months ended 30 September 2017 HK$'000 (Unaudited)
Short-term employee benefits	**37,794**	5,961
Post-employment benefits	**156**	18
	37,950	5,979

24. FAIR VALUE MEASUREMENT

For financial reporting purpose, fair value measurements are categorised into three levels based on the degree to which the inputs to the fair value measurement are observable and the significance of the inputs to the fair value measurement in its entirety. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group uses its own internal expertise or engages third party qualified valuers to perform the valuation. Valuation is prepared at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the results with the chief financial officer and the audit committee is held twice a year, to coincide with the reporting dates.

24. FAIR VALUE MEASUREMENT (CONTINUED)

(a) Fair value of financial instruments measured at fair value

The following table presents financial instruments measured at fair value on a recurring basis in the condensed consolidated statement of financial position according to the fair value hierarchy:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 30 June 2018 (Unaudited)				
Financial assets measured at fair value through profit or loss				
— Listed debt securities (note (i))	**72,124**	**—**	**—**	**72,124**
— Listed equity securities (note (i))	**598,591**	**—**	**—**	**598,591**
— Unlisted debt securities (note (ii))	**—**	**714,104**	**—**	**714,104**
— Unlisted equity securities (note (iii))	**—**	**—**	**472,088**	**472,088**
— Unlisted mutual fund (note (iv))	**—**	**8,744**	**—**	**8,744**
— Private equity fund (note (iii))	**—**	**—**	**120,662**	**120,662**
Accounts receivable				
— Accounts receivable from cash clients (note (v))	**—**	**6,123**	**—**	**6,123**
Margin loans (note (v))	**—**	**2,215,168**	**—**	**2,215,168**
Financial assets measured at fair value through other comprehensive income				
— Unlisted equity securities (note (vi))	**—**	**—**	**11,411**	**11,411**
	670,715	**2,944,139**	**604,161**	**4,219,015**
At 31 December 2017 (Audited)				
Financial assets measured at fair value through profit or loss				
— Listed debt securities (note (i))	726,168	—	—	726,168
— Listed equity securities (note (i))	769,720	—	—	769,720
— Unlisted mutual fund (note (iv))	—	9,231	—	9,231
— Private equity fund (note (iii))	—	—	88,007	88,007
Financial assets measured at fair value through other comprehensive income				
— Unlisted equity securities (note (vi))	—	—	11,615	11,615
	1,495,888	9,231	99,622	1,604,741

There have been no transfers between levels 1, 2 or transfers into or out of level 3 in the current period and previous year. The Group's policy is to recognise transfers between levels of fair value hierarchy at the date of the event or change in circumstances that caused the transfer.

24. FAIR VALUE MEASUREMENT (CONTINUED)

(a) Fair value of financial instruments measured at fair value (Continued)

Notes:

(i) The fair value of these listed debt and equity securities has been determined by reference to their quoted bid prices at the reporting date and has been translated using the spot foreign currency rates at the end of the reporting period where appropriate.

(ii) The fair value of these unlisted debt securities was estimated based on discounted cash flow analysis with discount rate determined by reference to the listed bonds with similar credit terms and rating.

(iii) The fair value of these unlisted equity securities and private equity fund has been determined with reference to the price of recent investment valuation technique under market approach.

(iv) The fair value of this unlisted mutual fund has been determined with reference to the fair value of the underlying assets and liabilities at the reporting date.

(v) The fair value of the accounts receivable from cash clients and margin loans has been determined with reference to the market value of the collaterals at the reporting date.

(vi) The fair value of these unlisted equity securities has been determined by using the discounted cash flow valuation technique. The discounted cash flow valuations are based on the following significant unobservable inputs:

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Significant unobservable inputs		
Discount for lack of marketability	**25%**	25%
Discount for lack of control	**10%**	10%
Weighted average cost of capital	**16%**	16%
Long-term revenue growth rate	**3%**	3%

Generally, a change in the discount for lack of marketability and control and weighted average cost of capital is accompanied by a directionally opposite change to the fair value measurement whilst a change in the long-term revenue growth rate is accompanied by a directionally similar change to the fair value measurement.

24. FAIR VALUE MEASUREMENT (CONTINUED)

(a) Fair value of financial instruments measured at fair value (Continued)

Notes: (Continued)

(vii) The movement of the financial instruments carried at fair value based on significant unobservable inputs (i.e. Level 3) is as follows:

	Six months ended 30 June 2018 HK$'000 (Unaudited)	Six months ended 30 September 2017 HK$'000 (Unaudited)
Financial assets measured at fair value through profit or loss		
At the beginning of the period	**88,007**	—
Capital contribution	**36,319**	156,148
Fair value changes recognised in profit or loss	**618**	—
Return of capital	**(2,542)**	—
Subscription of shares	**470,348**	—
At the end of the period	**592,750**	156,148
Financial assets measured at fair value through other comprehensive income		
At the beginning of the period	**11,615**	13,840
Fair value changes recognised in other comprehensive income	**(204)**	(433)
At the end of the period	**11,411**	13,407
Total unrealised gain recognised in profit or loss for assets held at the end of the reporting period	**618**	—

(b) Fair value of financial instruments measured at amortised cost

The carrying amounts of the financial assets and financial liabilities measured at amortised cost as disclosed under current assets and current liabilities, respectively, approximate their fair value as they are all short term in nature.

24. FAIR VALUE MEASUREMENT (CONTINUED)

(b) Fair value of financial instruments measured at amortised cost (Continued)

The carrying amount of the financial instruments measured at amortised cost under non-current assets, other than those whose carrying amount reasonably be approximate to their fair value, and their fair value are as follows:

	Carrying amount		Fair value	
	As at 30 June 2018 HK$'000 (Unaudited)	As at 31 December 2017 HK$'000 (Audited)	**As at 30 June 2018 HK$'000 (Unaudited)**	As at 31 December 2017 HK$'000 (Audited)
Financial assets — Other financial assets measured at amortised cost (note)	**492,922**	458,333	**495,315**	460,951

Note: The fair value of the other financial assets measured at amortised cost has been calculated by discounting the expected future cash flows using rate currently available for instruments with similar terms, credit risk and remaining maturities and are categorised within level 2 of fair value hierarchy.

(c) Fair value of investment properties measured at fair value

Investment properties represented commercial office premises in Hong Kong and are categorised within level 2 of fair value hierarchy. There have been no transfers between levels 1, 2 or transfers into or out of level 3 in the current period and the previous year. The Group's policy is to recognise transfers between levels of fair value hierarchy at the date of the event or change in circumstances that caused the transfer. The fair value of the investment properties as at 30 June 2018 and 31 December 2017 has been arrived at on the basis of valuation carried out by a firm of independent valuers, who holds recognised and relevant professional qualifications and has recent experience in the location and category of the investment properties being valued. The fair value has been determined using market comparable approach by reference to transaction price of comparable properties on a price per saleable area basis using market data which is publicly available.

25. RECLASSIFICATION

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

26. EVENT AFTER THE REPORTING PERIOD

(a) On 23 July 2018 and 9 August 2018, an indirect wholly owned subsidiary of the Company provided short term loans in the amount of HK$225 million and HK$120 million, with an interest rate of 6.25% and 9.5% per annum, respectively, to an independent third party. The short terms loans shall be repaid on the date falling two months from the date of utilisation. Further details were set out in the announcement of the Company dated 9 August 2018.

(b) On 11 July 2018, the Company entered into a facility agreement (the "Banking Facility Agreement") offered by a licensed bank in Hong Kong in relation to a revolving credit facility with a total loan amount of up to HK$1 billion which shall be available for drawdown with 11 months from the date of Banking Facility Agreement. Further details were set out in the announcement of the Company dated 11 July 2018.

Management Discussion and Analysis

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.

[#] *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).*

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 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 note 22 to the interim 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.

Additional Information

INTERIM DIVIDEND

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

CHANGE OF COMPANY NAME

Subsequent to the approval of the change of company name by the shareholders of the Company by way of poll at the special general meeting held on 27 March 2018, the Certificate of Incorporation on Change of Name and the Certificate of Secondary Name were issued by the Registrar of Companies in Bermuda certifying the change of English name of the Company from "China Oceanwide International Financial Limited" to "China Tonghai International Financial Limited" and the adoption of the Chinese name "中國通海國際金融有限公司" as the secondary name of the Company in place of the Chinese name "中國泛海國際金融有限公司" with effect from 28 March 2018.

The Registrar of Companies in Hong Kong issued the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company on 27 April 2018 certifying the registration of the Company's new English and Chinese names of "China Tonghai International Financial Limited" and "中國通海國際金融有限公司" respectively in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

DIRECTORS' INTERESTS

As at 30 June 2018, the interests and short positions of the directors of the Company (the "Directors") in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register kept by the Company under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(i) Long Position in the Shares

Name of Director	Capacity	Number of Shares held	Approximate % of total interests in the Shares in issue (Note)
Mr. Kenneth LAM Kin Hing	Beneficial Owner	113,022,833	1.81%
Mr. Bernard POULIOT	Beneficial Owner	38,982,666	0.62%

(ii) Long positions in the shares of associated corporations of the Company

(a) Oceanwide Holdings Co., Ltd. ("Oceanwide Holdings")

Name of Director	Capacity	Number of shares in Oceanwide Holdings	Approximate % of shareholding in Oceanwide Holdings (Note)
Mr. HAN Xiaosheng	Beneficial Owner	2,880,000	0.05%
Mr. LIU Hongwei	Beneficial Owner	30,000	0.0005%

(b) China Oceanwide Holdings Limited ("China Oceanwide")

Name of Director	Capacity	Number of shares in China Oceanwide	Approximate % of shareholding in China Oceanwide (Note)
Mr. LIU Jipeng	Beneficial Owner	9,212,000	0.05%

Note: The approximate percentage shown above was the number of shares the relevant Director was interested in expressed as a percentage of the total number of issued shares of the relevant entity as at 30 June 2018.

Save as disclosed above, as at 30 June 2018, none of the Directors or their respective associates had or were deemed under the SFO to have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2018, so far as were known to the Directors, the following persons (other than the Directors) who had interests or short positions in the shares, underlying shares and debentures of the Company as recorded in the register kept by the Company under section 336 of the SFO, or as otherwise notified to the Company, as being directly or indirectly interested or deemed to be interested in 5% or more of the shares in issue of the Company, were as follows:

Long Position in the Shares

Name of holder of Shares/ underlying Shares	Capacity	Number of Shares and underlying Shares held	Approximate percentage of total interests in the Shares in issue
Mr. LU Zhiqiang ("Mr. LU")	Interest of controlled corporations	16,931,210,433 (Note 1)	74.21 (Note 20)
Ms. HUANG Qiongzi	Interest of controlled corporations	16,931,210,433 (Note 1)	74.21 (Note 20)
Tohigh Holdings Co., Ltd.* (通海控股有限公司)	Interest of controlled corporations	16,931,210,433 (Note 2)	74.21 (Note 20)
Oceanwide Group Co., Ltd.* (泛海集團有限公司)	Interest of controlled corporations	16,931,210,433 (Note 3)	74.21 (Note 20)
China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司)	Interest of controlled corporations	16,931,210,433 (Note 4)	74.21 (Note 20)
Oceanwide Holdings	Interest of controlled corporations	4,495,254,732 (Note 5)	19.70 (Note 20)
China Oceanwide Group Limited	Interest of controlled corporations	4,495,254,732 (Note 5)	19.70 (Note 20)
Oceanwide Holdings International Financial Development Co., Ltd. ("Oceanwide Holdings IF")	Beneficial owner	4,495,254,732 (Note 5)	19.70 (Note 20)
Ms. LU Xiaoyun ("Ms. LU")	Interest of controlled corporations	12,435,955,701 (Note 6)	54.50 (Note 20)
Mr. JIA Meng	Family Interests	12,435,955,701 (Note 6)	54.50 (Note 20)
Meyu International Company Limited	Interest of controlled corporations	12,435,955,701 (Note 6)	54.50 (Note 20)
China Oceanwide International Investment Company Limited	Interest of controlled corporations	12,435,955,701 (Note 7)	54.50 (Note 20)
Chang Xin International Capital Investment Management Co., Ltd.	Interest of controlled corporations	12,435,955,701 (Note 8)	54.50 (Note 20)
Empire Ocean Investments Limited	Interest of controlled corporations	12,435,955,701 (Note 8)	54.50 (Note 20)
China Oceanwide International Holdings Limited (now known as Tonghai International Holdings Limited)	Interest of controlled corporations	12,435,955,701 (Note 9)	54.50 (Note 20)
China Oceanwide International Group Limited ("COI", now known as Tonghai International Group Limited)	Beneficial owner and Underwriter	12,435,955,701 (Note 10)	54.50 (Note 20)

* *For identification purpose only*

Name of holder of Shares/ underlying Shares	Capacity	Number of Shares and underlying Shares held	Approximate percentage of total interests in the Shares in issue
Shanghai International Group Co., Ltd.* (上海國際集團有限公司)	Interest of controlled corporations	2,181,818,182 (Note 11)	9.56 (Note 20)
Guotai Junan Securities Co., Ltd.	Interest of controlled corporations	2,181,818,182 (Note 12)	9.56 (Note 20)
Guotai Junan International Holdings Limited	Interest of controlled corporations	2,181,818,182 (Note 13)	9.56 (Note 20)
Guotai Junan Securities (Hong Kong) Limited ("GTJAS")	Underwriter	2,181,818,182 (Note 14)	9.56 (Note 20)
Haitong Securities Co., Ltd.	Interest of controlled corporations	5,174,357,370 (Note 15)	22.68 (Note 20)
Haitong International Holdings Limited	Interest of controlled corporations	5,174,357,370 (Note 16)	22.68 (Note 20)
Haitong International Securities Group Limited	Interest of controlled corporations	5,174,357,370 (Note 17)	22.68 (Note 20)
Haitong International Securities Company Limited ("Haitong International")	Underwriter	1,974,357,370 (Note 18)	8.65 (Note 20)
Haitong International Financial Solutions Limited	Security Interest in Shares	3,200,000,000 (Note 19)	51.43 (Note 19)

Notes:

1. Mr. LU and Ms. HUANG Qiongzi (黃瓊姿) (the spouse of Mr. LU) together held more than one third of the voting power at general meetings of Tohigh Holdings Co., Ltd.* (通海控股有限公司). By virtue of the SFO, Mr. LU and Ms. HUANG Qiongzi (黃瓊姿) are deemed to be interested in all the Shares in which Tohigh Holdings Co., Ltd.* (通海控股有限公司) is interested.

2. Tohigh Holdings Co., Ltd.* (通海控股有限公司) held the entire issued share capital of Oceanwide Group Co., Ltd.* (泛海集團有限公司). By virtue of the SFO, Tohigh Holdings Co., Ltd.* (通海控股有限公司) is deemed to be interested in all the Shares held by Oceanwide Group Co., Ltd.* (泛海集團有限公司).

3. Oceanwide Group Co., Ltd.* (泛海集團有限公司) held 98% interest in the issued share capital of China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司). By virtue of the SFO, Oceanwide Group Co., Ltd.* (泛海集團有限公司) is deemed to be interested in all the Shares held by China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司).

4. China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司) directly and indirectly held 70.24% interest in the issued share capital of Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司) and 100% interest in the issued share capital of China Oceanwide International Investment Company Limited. By virtue of the SFO, China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司) is deemed to be interested in all the Shares held by Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司) and China Oceanwide International Investment Company.

5. Oceanwide Holdings IF is a wholly-owned subsidiary of China Oceanwide Group Limited, which in turn is a wholly-owned subsidiary of Oceanwide Holdings By virtue of the SFO, China Oceanwide Group Limited and Oceanwide Holdings are deemed to be interested in 4,495,254,732 Shares.

* *For identification purpose only*

6. Chang Xin International Capital Investment Management Co., Ltd is a wholly-owned subsidiary of Meyu International Company Limited, which in turn is 100% held by Ms. LU, who is the daughter of Mr. LU and Ms. HUANG Qiongzi. By virtue of the SFO, Ms. LU and Meyu International Company Limited are deemed to be interested in all the Shares held by Chang Xin International Capital Investment Management Co., Ltd. Mr. JIA Meng, being the spouse of Ms. LU, is deemed to be interested in all the Shares held by Ms. LU.

7. China Oceanwide International Investment Company Limited held the entire issued share capital of Empire Ocean Investments Limited. By virtue of the SFO, China Oceanwide International Investment Company Limited is deemed to be interested in all the Shares held by Empire Ocean Investments Limited.

8. Chang Xin International Capital Investment Management Co., Ltd. and Empire Ocean Investments Limited respectively held 70% and 30% of interests of China Oceanwide International Holdings Limited. By virtue of the SFO, Chang Xin International Capital Investment Management Co., Ltd. and Empire Ocean Investments Limited are deemed to be interested in all the Shares held by China Oceanwide International Holdings Limited.

9. COI is a wholly-owned subsidiary of China Oceanwide International Holdings Limited. By virtue of the SFO, China Oceanwide International Holdings Limited is deemed to be interested in all the Shares held by COI.

10. Of these Shares, 11,987,345,952 Shares refer to the total number of rights shares which COI will subscribe or procure its associates to subscribe for pursuant to an irrevocable undertaking dated 18 December 2017 given by COI in favour of the Company, GTJAS, Haitong International, Oceanwide Holdings IF and Oceanwide Holdings. The remaining 448,609,749 Shares represent the maximum number of underwritten rights shares which COI and/or its nominee have interest in pursuant to the terms of an underwriting agreement entered into among the Company, GTJAS, Haitong International, COI, Oceanwide Holdings IF and Oceanwide Holdings dated 18 December 2017 (the "Underwriting Agreement") in relation to the rights issue on the basis of eight rights shares for every three existing shares at the subscription price of HK$1.10 per rights share (the "Second Rights Issue").

11. Shanghai International Group Co., Ltd.* (上海國際集團有限公司) directly and indirectly held 30.93% interest in the issued share capital of Guotai Junan Securities Co., Ltd.* (國泰君安證券股份有限公司). By virtue of the SFO, Shanghai International Group Co., Ltd.* (上海國際集團有限公司) is deemed to have interest in 2,181,818,182 Shares GTJAS and/or its sub-underwriter(s) will hold, to the maximum extent, after the completion of Second Rights Issue.

12. Guotai Junan Securities Co., Ltd.* (國泰君安證券股份有限公司) indirectly held 64.62% interest in the issued share capital of Guotai Junan International Holdings Limited. By virtue of the SFO, Guotai Junan Securities Co., Ltd.* (國泰君安證券股份有限公司) is deemed to have interest in 2,181,818,182 Shares, which represent the maximum number of underwritten rights shares GTJAS and/or its sub-underwriter(s) will take up pursuant to the Underwriting Agreement, after the completion of Second Rights Issue.

13. GTJAS is an indirect wholly-owned subsidiary of Guotai Junan International Holdings Limited. By virtue of the SFO, Guotai Junan International Holdings Limited is deemed to have interest in 2,181,818,182 Shares, which represents the maximum number of underwritten rights shares GTJAS and/or its sub-underwriter(s) will take up pursuant to the Underwriting Agreement, after the completion of Second Rights Issue.

14. These Shares represents the maximum number of underwritten rights shares GTJAS and/or its sub-underwriter(s) have interest in pursuant to the terms of the Underwriting Agreement.

15. Haitong Securities Co., Ltd held 100% interest in the issued share capital of Haitong International Holdings Limited. By virtue of the SFO, Haitong Securities Co., Ltd is deemed to be interested in all the Shares held by Haitong International Holdings Limited.

16. Haitong International Holdings Limited indirectly held 62.43% interest in the issued share capital of Haitong International Securities Group Limited. By virtue of the SFO, Haitong International Holdings Limited is deemed to be interested in all the Shares held by Haitong International Securities Group Limited.

17. Haitong International and Haitong International Financial Solutions Limited are indirect subsidiaries of Haitong International Securities Group Limited. By virtue of the SFO, Haitong International Securities Group Limited is deemed to have interest in 5,174,357,370 Shares, out of which 1,974,357,370 Shares represent the maximum number of underwritten rights shares Haitong International and/or its sub-underwriters will take up pursuant to the Underwriting Agreement, after the completion of Second Rights Issue.

* *For identification purpose only*

18. These Shares represents the maximum number of underwritten rights shares Haitong International and/or its sub-underwriter(s) have interest in pursuant to the terms of the Underwriting Agreement.

19. According to the announcement of Oceanwide Holdings dated 22 September 2017, Oceanwide Holdings IF entered into a facility agreement with Haitong International Financial Solutions Limited for a loan in the amount of RMB1,100,000,000 pursuant to which Oceanwide Holdings has pledged 3,200,000,000 Shares (representing 51.43% of the issued share capital of the Company as of 30 June 2018) to Haitong International Financial Solutions Limited.

20. The percentage is calculated based on the enlarged issued share capital of the Company after completion of the Second Rights Issue.

21. The following entities, namely Tisé Media Fund LP and China Alliance Properties Limited (and its associates), disclosed to the Company that they were, directly or indirectly interested or deemed to be interested in 5% or more of the Shares on 28 August 2015 pursuant to the subscription agreement entered among the Company, CMBC International Holdings Limited ("CMBCI"), and the co-investors, namely New Hope Global Holding Co., Limited, United Energy International Trading Limited, Mind Power Investments Limited, China P&I Services (Hong Kong) Limited, China Alliance Properties Limited, Good First International Holding Limited, Divine Unity Limited, Tisé Media Fund LP, Novel Well Limited, Ristora Investments Limited and Insight Multi-Strategy Funds SPC for the account of Insight Phoenix Fund III SP (together the "Co-Investors") on 28 August 2015 which CMBCI and the Co-Investors had conditionally agreed to subscribe for an aggregate of 23,054,875,391 shares of the Company at the subscription price of HK$0.565 per subscription share (the "First Subscription Agreement").

    As disclosed in the announcement of the Company dated 1 March 2016, the First Subscription Agreement ceased to be effective as of 28 February 2016 as certain conditions precedent under the First Subscription Agreement remained outstanding as at the long stop date. Accordingly, as at the 30 June 2018, as far as the Directors were aware, CMBCI and the Co-Investors had ceased to have any interests in the Shares.

Save as disclosed above, as at 30 June 2018, the Company had not been notified by any other person (other than the Directors) who had interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register maintained by the Company under section 336 of the SFO.

SHARE AWARD SCHEME

A Restricted Share Award Scheme ("Share Award Scheme") was adopted by the Company on 19 August 2010. The purpose of the Share Award Scheme is to recognise and motivate the contribution of certain employees and/or consultants and to provide incentives and help the Group in retaining its existing employees or consultants and recruiting additional employees or consultants and to provide them with a direct economic interest in attaining the long-term business objectives of the Company.

Pursuant to the rules of Share Award Scheme, the Board may, from time to time, at its absolute discretion select the employees and consultants (excluding any excluded participant) as they deem appropriate for participation in the Share Award Scheme and determines the number of awarded shares to be granted. Existing shares would be purchased by the trustee from the market out of cash contributed by the Group and be held in trust for the relevant selected participants. The awarded shares of the Company will be vested only after satisfactory completion of time-based targets or time-and-performance-based targets.

The Share Award Scheme is subject to the administration of the Board in accordance with the rules of Share Award Scheme. The aggregate number of awarded shares granted by the Board throughout the duration of the Share Award Scheme should not be in excess of 10% of the issued share capital of the Company as at the date of its adoption. Unless terminated earlier by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years from the date of its adoption. However, the

Board has the right to renew the Share Award Scheme up to three times and each time for another 5-year term. Further details of the Share Award Scheme were set out in the announcement of Company dated 19 August 2010.

As at 30 June 2018, there are 2,162,002 returned shares under the Shares Award Scheme which are still available for further allocation and no awarded share has been granted. The Share Award Scheme should be retained until expiry of trust period or until informed by the Company.

Save as disclosed above, at no time during the six months ended 30 June 2018 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of the shares in or debentures of the Company or any other body corporate.

DISCLOSURE PURSUANT TO RULE 13.15 OF THE LISTING RULES

On 25 April 2018, Oceanwide Financial (Holding) Limited (the "Subscriber", a wholly-owned subsidiary of the Company) has subscribed senior notes issued by Oceanwide Holdings International Development III Co., Ltd. in the subscription amount of US$65 million (equivalent to approximately HK$505.7 million) with a coupon interest rate of 9.25% per annum, payable semi-annually and with a maturity date of 24 April 2019 through Oceanwide Securities Company Limited (an indirect wholly-owned subsidiary of the Company). As at 30 June 2018, the principal amount of US$65 million (equivalent to approximately HK$505.7 million) notes is outstanding.

On 22 December 2017, Oceanwide Finance Limited provided a short term loan in the amount of HK$280 million with an interest rate of 6% per annum payable quarterly to China Oceanwide, a subsidiary of Oceanwide Holdings (the "China Oceanwide Loan"). The China Oceanwide Loan shall be repaid on the date which is six months from the date of its utilisation. The China Oceanwide Loan has been extended and as at 30 June 2018, it is still outstanding.

On 12 February 2018, Oceanwide Finance Limited provided a short term loan in the amount of HK$550 million with an interest rate of 6.5% per annum payable quarterly to China Oceanwide International Investment Company Limited, an indirect subsidiary of Tohigh (the "Tohigh Loan"). The Tohigh Loan shall be repaid on the date which is six months from the date of its utilisation. As at 30 June 2018, the loan amount of HK$550 million is outstanding.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

Pursuant to the banking facility agreement offered by a licensed bank in Hong Kong as lender (the "Banking Facility Agreement") in relation to a revolving credit facility with a total loan amount of up to HK$1 billion (the "Banking Facility") and in order to secure the Company's obligations under the Banking Facility, Oceanwide Holdings IF and Oceanwide Holdings International Co., Ltd., being the immediate controlling shareholders of the Company and China Oceanwide, charged 395,254,732 shares of the Company and 3,016,279,070 shares of China Oceanwide respectively, which represents 6.35% of the total issued shares of the Company and 18.69% of total issued shares of China Oceanwide respectively in favour of the bank.

Pursuant to the terms of Banking Facility Agreement, Mr. LU and his parties acting in concert, shall at all time directly or indirectly beneficially own 60% of the issued shares of the Company. As at the date of this report, Mr. LU, through his controlled corporation, beneficially own approximately 72.24% of the issued shares of the Company. Upon the breach of this condition, the Banking Facility will immediately and automatically be cancelled and all outstanding loans, together with accrued interest, and all other amounts accrued under the Banking Facility Agreement, become immediately due and payable by the Company.

UPDATES ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Changes of information of the Directors since the date of Annual Report for the nine months ended 31 December 2017 which is required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules are set out below:

Name of Director	Details of Change
Mr. Kenneth LAM Kin Hing	the monthly salary (excluding discretionary bonus) increased from HK$300,000 to HK$375,000 with restrospective effect from 1 January 2018 due to annual adjustment

Save as disclosed above, there is no other information required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

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 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 up to the date of this report, 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.

On behalf of the Board
HAN Xiaosheng
Chairman

Hong Kong, 29 August 2018

Corporate Information

BOARD OF DIRECTORS

Mr. HAN Xiaosheng *Chairman*
Mr. ZHANG Bo *Deputy Chairman*
Mr. ZHANG Xifang
Mr. FENG Henian
Mr. LIU Hongwei
Mr. Kenneth LAM Kin Hing
Chief Executive Officer
Mr. Bernard POULIOT^
Mr. LIU Bing^
Mr. ZHAO Yingwei^
Mr. ZHAO Xiaoxia^
Mr. Roy LO Wa Kei#
Mr. KONG Aiguo#
Mr. LIU Jipeng#
Mr. HE Xuehui#
Mr. HUANG Yajun#

^ *Non-executive Director*
# *Independent Non-executive Director*

EXECUTIVE COMMITTEE

Chairman:	Mr. ZHANG Bo
Vice-chairman:	Mr. Kenneth LAM Kin Hing
Members:	Mr. HAN Xiaosheng
	Mr. ZHANG Xifang
	Mr. FENG Henian
	Mr. LIU Hongwei

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Chairman:	Mr. KONG Aiguo
Members:	Mr. LIU Jipeng
	Mr. HE Xuehui
	Mr. HUANG Yajun

COMPANY SECRETARY

Ms. Hortense CHEUNG Ho Sze

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

18th and 19th Floors
China Building
29 Queen's Road Central
Hong Kong

AUDITOR

BDO Limited
Certified Public Accountants

HONG KONG LEGAL ADVISER

Howse Williams Bowers

BERMUDA LEGAL ADVISER

Conyers Dill & Pearman

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

The Bank of East Asia, Limited
China CITIC Bank International Limited
China Minsheng Banking Corp., Ltd.
Hong Kong Branch
Dah Sing Bank, Limited
Industrial and Commercial Bank of China (Asia) Ltd.
Shanghai Commercial Bank Limited
Shanghai Pudong Development Bank Co., Ltd.
Hong Kong Branch
Standard Chartered Bank (Hong Kong) Limited
Chong Hing Bank Limited
Fubon Bank (Hong Kong) Limited

STOCK CODE

00952

WEBSITES OF TONGHAI FINANCIAL GROUP

www.tonghaifinancial.com
www.oceanwsec.com
www.oceanwcapital.com
www.oceanwam.com
www.oceanwpremier.com
www.oceanwdirect.com
www.oceanwir.com
www.quamnet.com

INVESTOR RELATIONS

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