



中國通海國際金融有限公司

CHINA TONGHAI INTERNATIONAL FINANCIAL LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 952



Your Growth Partner

2020
Interim Report



CONTENTS

2	Condensed Consolidated Statement of Profit or Loss
3	Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
4	Condensed Consolidated Statement of Financial Position
5	Condensed Consolidated Cash Flow Statement
7	Condensed Consolidated Statement of Changes in Equity
9	Notes to the Condensed Consolidated Interim Financial Statements
44	Management Discussion and Analysis
57	Additional Information
72	Corporate Information

Condensed Consolidated Statement of Profit or Loss

	Notes	Six months ended 30 June 2020 HK\$'000 (Unaudited)	Six months ended 30 June 2019 HK\$'000 (Unaudited)
Fee and commission income	5	119,835	127,417
Interest income	5		
— Calculated using the effective interest method		201,396	140,207
— Calculated using other method		128,711	137,338
Net investment (loss)/income	5	(177,669)	54,560
Total revenue	5	272,273	459,522
Other income/(loss)	6	4,410	(3,907)
Direct cost		(86,019)	(83,544)
Staff cost	7	(123,737)	(101,397)
Depreciation and amortisation	7	(23,094)	(20,523)
Impairment loss		(121,255)	(111,401)
Finance cost			
— Interest on borrowings and repurchase agreements		(59,337)	(53,962)
— Interest on lease liabilities		(2,151)	(2,408)
Share of results of an associate		(32)	—
Share of results of joint ventures		498	62
Other operating expenses	8	(25,630)	(25,070)
(Loss)/profit before tax	7	(164,074)	57,372
Tax credit/(expense)	9	2,455	(7,131)
(Loss)/profit attributable to equity holders of the Company		(161,619)	50,241
		HK cent(s)	HK cent(s)
(Loss)/earnings per share for (loss)/profit attributable to equity holders of the Company			
— Basic and diluted	10	(2.630)	0.813
Dividend per share	11	Nil	Nil

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Six months ended 30 June 2020 HK\$'000 (Unaudited)	Six months ended 30 June 2019 HK\$'000 (Unaudited)
(Loss)/profit attributable to equity holders of the Company	(161,619)	50,241
Other comprehensive income, including reclassification adjustments		
Item that may be reclassified subsequently to profit or loss		
— Exchange loss on translation of financial statements of foreign operations	(649)	(105)
Other comprehensive income, including reclassification adjustments and net of tax	(649)	(105)
Total comprehensive income attributable to equity holders of the Company	(162,268)	50,136

Condensed Consolidated Statement of Financial Position

		As at 30 June 2020			As at 31 December 2019		
Notes	Current HK\$'000 (Unaudited)	Non-current HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Current HK\$'000 (Audited)	Non-current HK\$'000 (Audited)	Total HK\$'000 (Audited)	
ASSETS							
	284,304	—	284,304	182,449	—	182,449	
	1,436,019	—	1,436,019	1,253,410	—	1,253,410	
12	1,719,159	139,020	1,858,179	1,630,972	188,022	1,818,994	
13	346,018	6,073	352,091	152,059	6,073	158,132	
14	106,609	—	106,609	17,119	—	17,119	
15	1,668,216	—	1,668,216	1,977,795	—	1,977,795	
16	159,558	—	159,558	54,813	166,588	221,401	
17	3,227,867	113,786	3,341,653	3,204,578	62,513	3,267,091	
18	441,978	—	441,978	498,162	—	498,162	
	46,894	—	46,894	59,975	—	59,975	
	—	2,078	2,078	—	2,110	2,110	
	—	38,482	38,482	—	38,615	38,615	
	—	18,697	18,697	—	19,558	19,558	
19	—	26,585	26,585	—	23,275	23,275	
20	—	11,700	11,700	—	11,700	11,700	
20	—	115,428	115,428	—	110,468	110,468	
	—	89,723	89,723	—	65,790	65,790	
TOTAL ASSETS	9,436,622	561,572	9,998,194	9,031,332	694,712	9,726,044	
LIABILITIES AND EQUITY							
Liabilities							
21	1,805,183	—	1,805,183	1,664,961	—	1,664,961	
22	2,353,090	—	2,353,090	2,037,029	—	2,037,029	
	5,026	—	5,026	4,988	—	4,988	
	35,951	61,400	97,351	31,626	58,642	90,268	
	76,925	—	76,925	86,629	—	86,629	
	39,333	—	39,333	58,615	—	58,615	
TOTAL LIABILITIES	4,315,508	61,400	4,376,908	3,883,848	58,642	3,942,490	
Equity							
23			20,657			20,657	
			5,600,629			5,762,897	
TOTAL EQUITY			5,621,286			5,783,554	
TOTAL LIABILITIES AND EQUITY			9,998,194			9,726,044	
<i>Net current assets</i>			5,121,114			5,147,484	

Condensed Consolidated Cash Flow Statement

	Six months ended 30 June 2020 HK\$'000 (Unaudited)	Six months ended 30 June 2019 HK\$'000 (Unaudited)
Cash flows from operating activities		
(Loss)/profit before tax	(164,074)	57,372
Adjustments for:		
Amortisation of other intangible assets	909	1,307
Changes in net assets value attributable to other holders of a consolidated investment fund	(2,379)	5,929
Depreciation of property and equipment	22,185	19,216
Dividend income	(5,431)	(2,723)
Finance cost	61,488	56,370
Impairment loss	121,255	111,401
Interest income	(330,107)	(277,545)
Net realised and unrealised loss/(gain) on financial assets measured at fair value through profit or loss	183,100	(51,837)
Share of results of an associate	32	—
Share of results of joint ventures	(498)	(62)
Operating loss before working capital changes	(113,520)	(80,572)
Increase in other assets	(523)	(10,682)
Decrease in accounts receivable, prepayments, deposits and other receivables	67,417	75,440
Decrease in loans to margin clients	234,676	580,409
(Increase)/decrease in financial assets held for trading and market making activities	(220,682)	113,376
Decrease in financial assets not held for trading and market making activities	35,362	129,842
(Increase)/decrease in derivative financial instruments	(15,000)	3,000
Decrease/(increase) in advances to customers for merger and acquisition activities	55,000	(19,612)
Increase in other loans	(128,080)	(547,610)
Increase in bank balances held on behalf of clients	(182,609)	(45,726)
Increase/(decrease) in accounts payable, contract liabilities, accruals and other payables	141,376	(57,149)
Cash (used in)/generated from operations	(126,583)	140,716
Dividend received	5,431	2,723
Interest received	275,081	241,960
Income tax paid, net	(40,760)	(2,572)
<i>Net cash generated from operating activities</i>	113,169	382,827

	Six months ended 30 June 2020 HK\$'000 (Unaudited)	Six months ended 30 June 2019 HK\$'000 (Unaudited)
Cash flows from investing activities		
Purchases of other intangible assets	(48)	(35)
Payments for property and equipment	(5,807)	(8,556)
<i>Net cash used in investing activities</i>	(5,855)	(8,591)
Cash flows from financing activities		
Capital element of lease rentals paid	(17,158)	(14,292)
Interest element of lease rentals paid	(2,151)	(2,408)
Interest paid for obligations under repurchase agreements	—	(149)
Interest paid for bank and other borrowings	(55,705)	(52,279)
Net proceeds from/(repayments of) bank and other borrowings	77,898	(367,854)
Payments on redemption of shares by other holders of a consolidated investment fund	(8,441)	(1,013)
Proceeds from shares issued to other holders of a consolidated investment fund	—	784
Net repayment of obligations under repurchase agreements	—	(34,779)
Purchase of shares held under the Share Award Scheme	—	(17,306)
<i>Net cash used in financing activities</i>	(5,557)	(489,296)
Net increase/(decrease) in cash and cash equivalents	101,757	(115,060)
Cash and cash equivalents at the beginning of the period	182,449	357,300
Effect of foreign exchange rate changes, on cash held	98	127
Cash and cash equivalents at the end of the period	284,304	242,367

Condensed Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company										
	Share capital	Share premium	Capital	Contributed surplus	Exchange reserve	Investment revaluation reserve	Property revaluation reserve	Shareholder's contribution	Shares held for Award Scheme	Retained profits	Total
			redemption reserve								
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
At 1 January 2020	20,657	117,070	1,019	5,352,580	(2,829)	(18,066)	5,255	1,811	(22,798)	328,855	5,783,554
Loss for the period	—	—	—	—	—	—	—	—	—	(161,619)	(161,619)
Other comprehensive income											
— Exchange loss on translation of financial statements of foreign operations	—	—	—	—	(649)	—	—	—	—	—	(649)
Total comprehensive income for the period	—	—	—	—	(649)	—	—	—	—	(161,619)	(162,268)
At 30 June 2020	20,657	117,070	1,019	5,352,580	(3,478)	(18,066)	5,255	1,811	(22,798)	167,236	5,621,286

Attributable to equity holders of the Company

	Share capital	Share premium	Capital redemption reserve	Contributed surplus	Exchange reserve	Investment revaluation reserve	Property revaluation reserve	Shareholder's contribution	Shares held for Share Award Scheme	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2019	20,657	5,117,070	1,019	352,580	(1,971)	(17,850)	5,255	1,811	(5,419)	323,462	5,796,614
Share purchased for Share Award Scheme	—	—	—	—	—	—	—	—	(17,306)	—	(17,306)
Transactions with equity holders	—	—	—	—	—	—	—	—	(17,306)	—	(17,306)
Profit for the period	—	—	—	—	—	—	—	—	—	50,241	50,241
Other comprehensive income											
— Exchange loss on translation of financial statements of foreign operations	—	—	—	—	(105)	—	—	—	—	—	(105)
Total comprehensive income for the period	—	—	—	—	(105)	—	—	—	—	50,241	50,136
Transfer from share premium to contributed surplus*	—	(5,000,000)	—	5,000,000	—	—	—	—	—	—	—
At 30 June 2019	20,657	117,070	1,019	5,352,580	(2,076)	(17,850)	5,255	1,811	(22,725)	373,703	5,829,444

* Pursuant to the special resolution passed on 24 May 2019, an amount of HK\$5,000,000,000 standing to the credit of the share premium account of the Company was transferred to the contributed surplus account of the Company.

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 (the "Stock Exchange").

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 2020 were approved for issue by the board of directors of the Company (the "Board") on 27 August 2020. 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 year ended 31 December 2019.

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 (“HKICPA”) and with applicable requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) 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 year ended 31 December 2019, 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.

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

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, and interest income arising from debt instruments;
- (b) the corporate finance segment engages in securities placing and underwriting services, corporate finance advisory and general advisory services;
- (c) the asset management segment engages in fund management, discretionary portfolio management and portfolio management advisory services;
- (d) the investments segment engages in investing and trading of various investment products; and
- (e) the others segment represents financial media services and other insignificant operating segments.

4. SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2020 (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	85,844	8,279	21,546	—	4,166	119,835
Interest income	330,107	—	—	—	—	330,107
Net investment loss	(74,903)	—	—	(102,766)	—	(177,669)
Segment revenue from external customers	341,048	8,279	21,546	(102,766)	4,166	272,273
Inter-segment revenue	2	800	1,471	—	508	2,781
Reportable segment revenue	341,050	9,079	23,017	(102,766)	4,674	275,054
Fee and commission income by timing of revenue recognition:						
Point in time	85,844	6,388	13,677	—	1,176	107,085
Over time	—	1,891	7,869	—	2,990	12,750
Fee and commission income	85,844	8,279	21,546	—	4,166	119,835
Reportable segment result	(35,153)	(7,613)	4,998	(123,059)	(791)	(161,618)

4. SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2019 (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	88,087	22,500	11,066	—	5,764	127,417
Interest income	277,545	—	—	—	—	277,545
Net investment income	—	—	—	54,560	—	54,560
Segment revenue from external customers	365,632	22,500	11,066	54,560	5,764	459,522
Inter-segment revenue	—	250	1,638	—	695	2,583
Reportable segment revenue	365,632	22,750	12,704	54,560	6,459	462,105
Fee and commission income by timing of revenue recognition:						
Point in time	88,087	12,553	1,661	—	2,131	104,432
Over time	—	9,947	9,405	—	3,633	22,985
Fee and commission income	88,087	22,500	11,066	—	5,764	127,417
Reportable segment result	26,579	4,198	895	27,655	666	59,993

4. SEGMENT INFORMATION (CONTINUED)

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

	Six months ended 30 June 2020 HK\$'000 (Unaudited)	Six months ended 30 June 2019 HK\$'000 (Unaudited)
Reportable segment result	(161,618)	59,993
Other operating income	—	267
Share of results of an associate	(32)	—
Share of results of joint ventures	498	62
Unallocated corporate expenses	(2,922)	(2,950)
(Loss)/profit before tax	(164,074)	57,372

5. REVENUE

	Six months ended 30 June 2020 HK\$'000 (Unaudited)	Six months ended 30 June 2019 HK\$'000 (Unaudited)
Corporate finance business		
<i>Fee and commission income:</i>		
— Placing and underwriting commission income	6,388	12,553
— Financial and compliance advisory services fee income	1,891	9,947
	8,279	22,500
Asset management business		
<i>Fee and commission income:</i>		
— Management fee income	7,869	9,405
— Performance fee income	13,677	1,661
	21,546	11,066
Brokerage business		
<i>Fee and commission income:</i>		
— Commission on dealings in securities		
— Hong Kong securities	28,851	32,638
— Other than Hong Kong securities	3,496	4,068
— Commission on dealings in futures and options contracts	43,916	40,123
— Handling, custodian and other service fee income	9,581	11,258
	85,844	88,087
Interest income business		
<i>Interest income calculated using the effective interest method:</i>		
— Interest income from other loans	172,272	123,392
— Interest income from cash clients receivables	853	1,294
— Interest income from trust bank deposits	7,833	5,405
— Interest income from initial public offering loans	541	138
— Interest income from house money bank deposits and others	19,897	9,978
<i>Interest income calculated using other method:</i>		
— Interest income from loans to margin clients	87,404	100,539
— Interest income from bonds measured at fair value through profit or loss and others	41,307	36,799
	330,107	277,545
Investments and others business		
<i>Fee and commission income:</i>		
— Financial media service fee income	4,166	5,764
<i>Net investment (loss)/income:</i>		
— Net realised and unrealised (loss)/gain on financial assets measured at fair value through profit or loss	(183,100)	51,837
— Dividend income from financial assets measured at fair value through profit or loss	5,431	2,723
	(173,503)	60,324
Total revenue	272,273	459,522

6. OTHER INCOME/(LOSS)

	Six months ended 30 June 2020 HK\$'000 (Unaudited)	Six months ended 30 June 2019 HK\$'000 (Unaudited)
Changes in net asset value attributable to other holders of a consolidated investment fund	2,379	(5,929)
Exchange (loss)/gains, net	(936)	1,204
Government grants	2,209	—
Sundry income	758	818
	4,410	(3,907)

7. (LOSS)/PROFIT BEFORE TAX

	Six months ended 30 June 2020 HK\$'000 (Unaudited)	Six months ended 30 June 2019 HK\$'000 (Unaudited)
(Loss)/profit before tax is arrived at after charging:		
Staff cost		
— Fees, salaries, allowances, bonuses and benefits in kind	119,603	96,104
— Employee sales commission	1,640	2,277
— Retirement benefits scheme contributions	2,291	2,316
— Other staff benefits	203	700
	123,737	101,397
Depreciation and amortisation		
— Other intangible assets	909	1,307
— Property and equipment	22,185	19,216
	23,094	20,523

8. OTHER OPERATING EXPENSES

	Six months ended 30 June 2020 HK\$'000 (Unaudited)	Six months ended 30 June 2019 HK\$'000 (Unaudited)
Advertising and promotion expenses	2,694	4,055
Auditors' remuneration	1,952	1,156
Bank charges	1,063	613
Entertainments	524	724
General office expenses	2,412	2,289
Insurance	1,675	925
Legal and professional fee	6,446	5,016
Lease payments not included in the measurement of lease liabilities, rates and building management fee	4,122	3,334
Repairs and maintenance	1,485	2,172
Staff recruitment cost	788	1,736
Travelling and transportation expenses	760	1,934
Others	1,709	1,116
	25,630	25,070

9. TAX (CREDIT)/EXPENSE

The provision for Hong Kong profits tax is calculated by applying the estimated annual effective tax rate of 16.5% (2019: 16.5%) to the six months ended 30 June 2020, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rate regime.

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong profits tax for this subsidiary was calculated at the same basis in 2019.

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 2020 HK\$'000 (Unaudited)	Six months ended 30 June 2019 HK\$'000 (Unaudited)
Current tax — Hong Kong profits tax		
— Current period	21,478	19,881
— Over provision in prior year	—	(23)
	21,478	19,858
Deferred tax	(23,933)	(12,727)
Total tax (credit)/expense	(2,455)	7,131

10. (LOSS)/EARNINGS PER SHARE

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

(Loss)/earnings

	Six months ended 30 June 2020 HK\$'000 (Unaudited)	Six months ended 30 June 2019 HK\$'000 (Unaudited)
For purpose of basic and diluted (loss)/earnings per share	(161,619)	50,241

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

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
For purpose of basic and diluted (loss)/earnings per share	6,145,877,218	6,181,499,207

10. (LOSS)/EARNINGS PER SHARE (CONTINUED)

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

	Six months ended 30 June 2020 HK cents (Unaudited)	Six months ended 30 June 2019 HK cents (Unaudited)
Basic and diluted	(2.630)	0.813

11. DIVIDENDS

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2020 (30 June 2019: Nil).

12. FINANCIAL ASSETS HELD FOR TRADING AND MARKET MAKING ACTIVITIES

	Notes	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Financial assets held for trading and market making activities measured at fair value through profit or loss			
Listed debt securities		13,668	15,530
Listed equity securities	(a)	688,348	592,334
Unlisted debt securities	(b)	732,245	761,515
Unlisted equity securities	(c)	260,515	233,493
Unlisted mutual funds	(d)	24,383	28,100
Private equity fund	(e)	139,020	188,022
		1,858,179	1,818,994
Analysis of the net amount into current and non-current portions:			
Current		1,719,159	1,630,972
Non-current		139,020	188,022
		1,858,179	1,818,994

12. FINANCIAL ASSETS HELD FOR TRADING AND MARKET MAKING ACTIVITIES (CONTINUED)

Notes:

- (a) The Group invested around HK\$390,000,000 in the H shares of a Mainland broker firm listed in Hong Kong in June 2018. As at 30 June 2020, the fair value of this investment was HK\$143,023,000 (31 December 2019: HK\$242,809,000). Details of the transaction were set out in the Company's announcement dated on 4 June 2018.
- (b) Unlisted debt securities of HK\$692,713,000 (31 December 2019: HK\$723,773,000) were issued by a fellow subsidiary.
- (c) As at 31 December 2019, the fair value of investment in a private entity was HK\$233,493,000 and it was pledged for a secured notes payable issued by the Group.
- (d) Pursuant to the subscription agreement, the Group's interest in the above mutual funds are 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 funds are 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 the above mutual funds and generated management and performance fee income from managing assets on behalf of investors.

- (e) The Group had committed to invest US\$20 million in Oceanwide Pioneer Limited Partnership (the "Fund"), representing 25%* (31 December 2019: 25%*) of the aggregated capital committed by all partners in the Fund as at 30 June 2020. 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 with an investment objective to achieve long-term capital appreciation through equity and equity-related investments in selected good-quality enterprises and projects as pioneers in the relevant industries. 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 of investors, as the Group as an investment manager can be terminated without cause by the general partner, and the Group did not have any control or significant influence over the general partner, the Group did not consolidate or account for the Fund as an associate despite its equity interest of 25%* (31 December 2019: 25%*).

* rounded to the nearest one percent

13. FINANCIAL ASSETS NOT HELD FOR TRADING AND MARKET MAKING ACTIVITIES

	Notes	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Financial assets measured at amortised cost			
Listed debt securities		233,985	—
Unlisted debt securities	(a)	118,860	258,102
Less: Impairment allowance		(6,827)	(106,043)
		346,018	152,059
Financial assets measured at fair value through other comprehensive income			
Unlisted equity securities	(b)	6,073	6,073
		352,091	158,132
Analysis of the net amount into current and non-current portions:			
Current		346,018	152,059
Non-current		6,073	6,073
		352,091	158,132

Notes:

- (a) Unlisted debt securities of HK\$93,806,000 (31 December 2019: HK\$98,720,000) were issued by a fellow subsidiary.
- (b) The fair values of the unlisted equity securities of HK\$1,513,000 and HK\$4,560,000 (31 December 2019: HK\$1,513,000 and HK\$4,560,000) have been determined by using the net asset value and the discounted cash flow valuation technique respectively. 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 profit or loss and other comprehensive income, is reasonable, and that is the most appropriate value at the reporting date.

14. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Financial assets measured at fair value through profit or loss		
Derivatives	106,609	17,119

Note:

As at 30 June 2020, the derivative of HK\$34,069,000 (31 December 2019: HK\$17,119,000) was entered into with a fellow subsidiary in June 2019.

15. LOANS TO MARGIN CLIENTS

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Loans to margin clients		
— Measured at fair value through profit or loss	1,668,216	1,977,795

Note:

Margin clients are required to pledge securities collateral to the Group in order to obtain the credit facilities for securities trading. The amount of credit facilities granted to them is determined based on a comprehensive analysis including but not limited to loan-to-market and loan-to-marginable value ratios ("lending ratios"), concentration risk, illiquid collaterals and overall availability of funds. The Group exercises continuous monitoring on outstanding margin loans to see if the actual lending ratios have exceeded the pre-determined levels as a credit risk control mechanism. Any excess in the lending ratios will trigger a margin call which the clients have to make good the shortfall. As at 30 June 2020, the market value of securities pledged by margin clients to the Group as collateral was HK\$9,523,557,000 (31 December 2019: HK\$10,668,974,000) and the Group is permitted to sell these collaterals if the client fails to fulfil in margin calls. Loans to margin clients are repayable on demand and bear interest at commercial rates (normally at Hong Kong Dollar Prime Rate plus a spread).

16. ADVANCES TO CUSTOMERS FOR MERGER AND ACQUISITION ACTIVITIES

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Financial assets measured at amortised cost	177,033	227,529
Less: Impairment allowance	(17,475)	(6,128)
	159,558	221,401
Analysis of the net amount into current and non-current portions:		
Current	159,558	54,813
Non-current	—	166,588
	159,558	221,401

17. OTHER LOANS

	Notes	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Other loans			
— Unsecured	(a)	3,062,236	2,748,743
— Secured	(a), (b)	553,199	684,147
		3,615,435	3,432,890
Less: Impairment allowance		(273,782)	(165,799)
		3,341,653	3,267,091
Analysis of the net amount into current and non-current portions:			
Current		3,227,867	3,204,578
Non-current		113,786	62,513
		3,341,653	3,267,091

Notes:

- (a) The loans bear interest at fixed rates ranging from 5.5% to 20% (31 December 2019: 5.5% to 20%) per annum. HK\$1,955,191,000 (31 December 2019: HK\$1,542,771,000) of the carrying amounts of the loans are from fellow subsidiaries. As at 31 December 2019, HK\$100,000,000 of the carrying amounts of the loan is from a company in which the ultimate controlling shareholder of the Company has shareholding less than 10%.
- (b) As at 30 June 2020 and 31 December 2019, the collaterals held by the Group for the secured loans mainly include shares of listed companies, shares and assets of private companies.

18. ACCOUNTS RECEIVABLE

	Notes	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
<i>Accounts receivable from dealings in securities, futures and options contracts</i>			
— Brokers and clearing houses	(a)	381,872	475,517
— Cash clients	(a)	10,328	10,003
— Clients for subscription of securities	(a)	41,111	1,094
Less: Impairment allowance		(7,345)	(6,588)
		425,966	480,026
<i>Accounts receivable from asset management, corporate finance and other businesses</i>			
— Clients	(a)	24,375	26,108
Less: Impairment allowance		(8,363)	(7,972)
		16,012	18,136
Net accounts receivable	(b)	441,978	498,162

Notes:

- (a) Amounts due from brokers, clearing houses and cash clients for the dealings in securities are required to be settled on the settlement dates of their respective transactions (normally two or three business days after the respective trade dates) and the amounts due from clients for 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, corporate finance and other businesses. The amounts due from cash clients after the settlement dates bear interest at commercial rates (normally at Hong Kong Dollar Prime Rate plus a spread) and the amounts due from clients for subscription of securities as at 30 June 2020 bear interest at fixed rates ranging from 2.5% to 4.5% (31 December 2019: 4.5%) per annum.

18. ACCOUNTS RECEIVABLE (CONTINUED)

Notes: (Continued)

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

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Repayable on demand	3,227	4,276
0-30 days	435,768	489,554
31-90 days	665	3,230
Over 90 days	2,318	1,102
Net accounts receivable	441,978	498,162

19. OTHER ASSETS

Other assets mainly comprise long term deposits for property and equipment, rental deposits and deposits with the Stock Exchange and clearing houses.

20. PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTY

	Property and equipment						
	Right-of-use	Leasehold	Furniture,	Motor	Sub-total	Investment	Total
	assets	improvements	fixtures and	vehicle		property	
	HK\$'000	HK\$'000	equipment	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Six months ended 30 June 2020							
Opening net carrying amount	87,393	7,187	15,395	493	110,468	11,700	122,168
Additions	24,241	695	2,325	—	27,261	—	27,261
Depreciation	(17,676)	(1,622)	(2,827)	(60)	(22,185)	—	(22,185)
Translation differences	(88)	(12)	(16)	—	(116)	—	(116)
Closing net carrying amount	93,870	6,248	14,877	433	115,428	11,700	127,128
Six months ended 30 June 2019							
Opening net carrying amount	—	8,604	12,681	—	21,285	11,200	32,485
Impact on initial application of HKFRS 16	108,140	—	—	—	108,140	—	108,140
Adjusted opening net carrying amount	108,140	8,604	12,681	—	129,425	11,200	140,625
Additions	5,833	360	5,343	604	12,140	—	12,140
Depreciation	(15,462)	(1,306)	(2,398)	(50)	(19,216)	—	(19,216)
Translation differences	2	—	—	—	2	—	2
Closing net carrying amount	98,513	7,658	15,626	554	122,351	11,200	133,551

21. ACCOUNTS PAYABLE

	Notes	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
<i>Accounts payable from dealings in securities, futures and options contracts</i>			
— Brokers and clearing houses	(a)	27,304	8,336
— Cash and margin clients	(a)	1,771,547	1,644,159
<i>Accounts payable from other businesses</i>			
— Clients		6,332	12,466
	(b)	1,805,183	1,664,961

Notes:

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

22. BANK AND OTHER BORROWINGS

	Notes	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Bank loans			
— Secured	(a),(b)	1,633,263	1,725,980
— Unsecured	(c)	100,080	100,350
Notes payable			
— Secured	(d)	—	98,816
— Unsecured	(e)	619,747	111,883
		2,353,090	2,037,029

Notes:

- (a) Bank loans of HK\$813,221,000 (31 December 2019: HK\$908,070,000) were guaranteed by the Company and secured by securities collateral pledged to the Group by margin clients and listed equity securities of the Group with market value of HK\$2,024,882,000 (31 December 2019: HK\$2,559,775,000) and HK\$233,923,000 (31 December 2019: HK\$242,809,000) respectively, and bear interest at floating rates ranging from 1.94% to 2.67% (31 December 2019: 3.90% to 6.75%) per annum. Specific written authorisations have been obtained by the Group from the margin clients for such use over the clients' securities.

22. BANK AND OTHER BORROWINGS (CONTINUED)

Notes: (Continued)

- (b) Bank loans of HK\$820,042,000 (31 December 2019: HK\$817,910,000) were borrowed from a bank in which the ultimate controlling shareholder of the Company is also a director of its parent company, and were secured by corporate bonds and notes, listed equity securities and bank deposits with aggregate carrying amounts of HK\$1,080,390,000 as at 30 June 2020 (31 December 2019: corporate bonds at carrying amounts of HK\$820,643,000), certain Company's listed shares held by the immediate controlling shareholder of the Company and certain fellow subsidiary's listed shares held by its immediate controlling shareholder. These bank loans were also guaranteed by the ultimate controlling shareholder and a wholly-owned subsidiary of the Company and bear interest at floating rates of 5.41% (31 December 2019: 5.54%) per annum.
- (c) As at 30 June 2020, bank loans of HK\$100,080,000 (31 December 2019: HK\$100,350,000) were unsecured and unguaranteed. These bank loans bear interest at floating rates ranging from 2.20% to 2.94% (31 December 2019: 4.30% to 4.96%) per annum.
- (d) The notes of HK\$98,816,000 were issued in August 2019 and were secured by the unlisted equity security at carrying amounts of HK\$233,493,000 as at 31 December 2019. The notes bear interest at 8.00% per annum. The notes were fully repaid in February 2020.
- (e) The notes of HK\$619,747,000 (31 December 2019: HK\$111,883,000) bear interest ranging from 5.00% to 9.50% (31 December 2019: 5.30% to 9.50%) per annum.

23. SHARE CAPITAL

	Number of ordinary shares of HK one third of one cent each (Unaudited)	HK\$'000 (Unaudited)
<i>Authorised</i>		
At 1 January 2019, 30 June 2019, 1 January 2020 and 30 June 2020	30,000,000,000	100,000
<i>Issued and fully paid</i>		
At 1 January 2019, 30 June 2019, 1 January 2020 and 30 June 2020	6,197,049,220	20,657

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

24. CAPITAL COMMITMENTS

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

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Capital contributions payable to a private equity fund	18	18
Property and equipment	2,941	3,572
	2,959	3,590

25. RELATED PARTY TRANSACTIONS

	Six months ended 30 June 2020 HK\$'000 (Unaudited)	Six months ended 30 June 2019 HK\$'000 (Unaudited)
Part I. Continuing connected transactions with China Oceanwide Group, Oceanwide Holdings Group and Tohigh Group (notes (a), (d))		
Income from service transactions provided to:		
Tohigh Group		
— Arrangement fee income	—	50
— Asset management fee income	3,823	—
— Handling fee income	60	—
— Income from derivative financial instruments	1,524	1,515
— Interest income from financial assistance	45,203	30,267
— Interest income from margin financing	1,275	2,111
— Performance fee income	2,878	—
China Oceanwide Group		
— Interest income	24,344	12,257
Oceanwide Holdings Group		
— Asset management fee income	357	374
— Commission fee income	—	39
— Interest income	69,974	51,127
— Performance fee income	4,410	—
	153,848	97,740
Expenses for service transactions provided by:		
Tohigh Group		
— Advertising and marketing expenses	450	—
— Advisory fee expenses	1,860	—
— Underwriting fee expense	—	423
Oceanwide Holdings Group		
— Advisory fee expense	137	74
— Interest expense	2,335	1,689
— Legal and professional fee	—	161
— Rebate of asset management fee income	247	—
— Research fee expense	43	—
	5,072	2,347

25. RELATED PARTY TRANSACTIONS (CONTINUED)

	Six months ended 30 June 2020 HK\$'000 (Unaudited)	Six months ended 30 June 2019 HK\$'000 (Unaudited)
Part II. Continuing connected transactions from brokerage and interest income business (notes (b), (d))		
Directors of the Company		
— Commission income from securities and futures dealings	48	124
— Interest income from margin financing	810	864
Close family members of directors of the Company		
— Commission income from securities and futures dealings	14	9
— Interest income from margin financing	1	—
Directors of subsidiaries and their close family members and company owned by a director of subsidiary		
— Commission income from securities and futures dealings	32	15
— Interest income from margin financing	125	104
	1,030	1,116
Part III. Continuing connected transactions from asset management business (notes (c), (d))		
Related company — Company indirectly owned by Mr. LU Zhiqiang, the ultimate controlling shareholder of the Company		
— Asset management fee income	—	3,100
Fellow subsidiary		
— Advisory fee expense	—	2,510

25. RELATED PARTY TRANSACTIONS (CONTINUED)

	Six months ended 30 June 2020 HK\$'000 (Unaudited)	Six months ended 30 June 2019 HK\$'000 (Unaudited)
Part IV. 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		
— Interest income	1,470	1,129
Related company — Company in which Mr. LU Zhiqiang, the ultimate controlling shareholder of the Company, had indirect significant influence		
— Interest income	—	588
Related company — Company indirectly owned by Mr. LU Zhiqiang, the ultimate controlling shareholder of the Company		
— Asset management fee income	—	1,618
Related company owned by a director of a subsidiary of the Company		
— Commission income	—	189
Directors of the Company		
— Asset management fee income	26	—
	1,496	3,524
Related company — Company in which Mr. LU Zhiqiang, the ultimate controlling shareholder of the Company, is also a director of its parent company		
— Interest expense	24,202	27,474
— Custodian fee	112	—
Directors of the Company		
— Motor vehicle expenses	126	126
Associate		
— Consultancy fee	600	—
	25,040	27,600

25. RELATED PARTY TRANSACTIONS (CONTINUED)

Notes:

- (a) The income and expense arising from connected transactions with Tohigh Group*, China Oceanwide Group* and Oceanwide Holdings 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 and 24 September 2019. These transactions have been approved in the special general meeting held on 20 November 2017 and 11 October 2019.
- * Tohigh Group includes Tohigh Holdings Co., Ltd and its subsidiaries, which excludes China Oceanwide Group, Oceanwide Holdings Group and the Group. China Oceanwide Group includes China Oceanwide Holdings Limited and its subsidiaries. Oceanwide Holdings Group includes Oceanwide Holdings Co., Ltd and its subsidiaries, which excludes China Oceanwide Group and the Group. The definitions of Tohigh Group, China Oceanwide Group and Oceanwide Holdings Group were set out in the Company's circulars dated 31 October 2017 and 24 September 2019.
- (b) 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 and 20 February 2019. These transactions have been approved in the special general meeting held on 19 May 2016 and 8 March 2019.
- (c) The connected transactions from asset management business (including asset management fee income and advisory fee expense) for the six months ended 30 June 2019 were based on the relevant management and advisory agreements. Details of the annual caps of the management fee income and advisory fee expense were set out in the Company's announcement dated 20 September 2017 and 24 May 2019.
- (d) The transactions are also related party transactions under HKAS 24 (Revised) — Related Party Disclosures.

Compensation of key management personnel

Included in staff cost are key management personnel compensation and comprises the following categories:

	Six months ended 30 June 2020 HK\$'000 (Unaudited)	Six months ended 30 June 2019 HK\$'000 (Unaudited)
Short-term employee benefits	19,513	10,179
Post-employment benefits	27	27
	19,540	10,206

26. 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.

26. 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 2020 (Unaudited)				
Financial assets held for trading and market making activities				
— Listed debt securities (note (i))	—	13,668	—	13,668
— Listed equity securities (note (ii))	688,170	178	—	688,348
— Unlisted debt securities (notes (ii), (vi))	—	692,713	39,532	732,245
— Unlisted equity securities (note (iii))	—	—	260,515	260,515
— Unlisted mutual funds (note (v))	—	24,383	—	24,383
— Private equity fund (note (iv))	—	—	139,020	139,020
Derivative financial instruments (note (viii))	—	—	106,609	106,609
Loans to margin clients (note (vii))	—	1,668,216	—	1,668,216
Financial assets not held for trading and market marking activities				
— Unlisted equity securities (note (ix))	—	—	6,073	6,073
	688,170	2,399,158	551,749	3,639,077
Financial liabilities measured at fair value through profit or loss				
— Accruals and other payables (note (x))	—	31,528	—	31,528
At 31 December 2019 (Audited)				
Financial assets held for trading and market making activities				
— Listed debt securities (note (i))	—	15,530	—	15,530
— Listed equity securities (note (ii))	592,135	199	—	592,334
— Unlisted debt securities (notes (ii),(vi))	—	723,773	37,742	761,515
— Unlisted equity securities (note (iii))	—	—	233,493	233,493
— Unlisted mutual funds (note (v))	—	28,100	—	28,100
— Private equity fund (note (iv))	—	—	188,022	188,022
Derivative financial instruments (note (viii))	—	—	17,119	17,119
Loans to margin clients (note (vii))	—	1,977,795	—	1,977,795
Financial assets not held for trading and market marking activities				
— Unlisted equity securities (note (ix))	—	—	6,073	6,073
	592,135	2,745,397	482,449	3,819,981
Financial liabilities measured at fair value through profit or loss				
— Accruals and other payables (note (x))	—	43,236	—	43,236

26. FAIR VALUE MEASUREMENT (CONTINUED)

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

There were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 during the six months ended 30 June 2020 and 2019. 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.

Notes:

- (i) The fair value of the 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 the unlisted debt securities in Level 2 was estimated based on discounted cash flow analysis with discounted rate determined by reference to the listed bonds with similar credit terms and rating. The discount rate used to discount the future payments of the bond, depends on the risk free rate plus credit spread of the issuer which links to its sector and credit rating.
- (iii) The fair values of unlisted equity securities in Level 3 were based on the market approach with pricing multiples of comparable companies adjusted to reflect the specific circumstance of the investments; and option pricing model under equity allocation approach with main inputs, such as 100% equity value of target company through a backsolve analysis, exercise values, expected volatility 52% (31 December 2019: 42%), risk free rate 0.3% (31 December 2019: 1.7%) and expected time to expiration.
- (iv) The fair value of the private equity fund has been determined with reference to the unadjusted net asset value of the fund.
- (v) The fair values of the unlisted mutual funds have been determined with reference to the net asset value of the funds. The underlying investments held by the funds are all listed with unadjusted quoted prices in active markets, with immaterial assets and liabilities with unobservable prices.
- (vi) The fair values of the unlisted debt securities in Level 3 were based on black-scholes model using discounted cash flows with market observable inputs, such as quoted market price, volatility, and significant unobservable input, i.e. discount rates from 17.3% to 22.7% (31 December 2019: 14.4%) as key parameters.
- (vii) The fair value of the margin loans has been determined with reference to the market value of securities pledged by margin clients at the reporting date.
- (viii) Valuation technique was applied to predict the paths of underlying stock price through to final maturity date. Volatility was a significant unobservable input used in the valuation, which is calculated by reference to historical stock prices over the period commensurate with remaining tenor of the derivative (also known as "historical volatility").

26. FAIR VALUE MEASUREMENT (CONTINUED)

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

Notes: (Continued)

- (ix) The fair values of the unlisted equity securities of HK\$1,513,000 and HK\$4,560,000 (31 December 2019: HK\$1,513,000 and HK\$4,560,000) have been determined by using the net asset value and discounted cash flow valuation technique respectively.

The discounted cash flow valuations are based on the following significant unobservable inputs:

Significant unobservable inputs	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Discount for lack of marketability	25%	25%
Discount for lack of control	10%	10%
Weighted average cost of capital	11%	11%
Long-term revenue growth rate	2%	2%

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.

- (x) The financial liabilities represent net asset value attributable to third party interest of a fund. The fair value has been determined by reference to the net asset value of the fund. The underlying investments held by the fund are all listed with unadjusted quoted prices in active markets, with immaterial assets and liabilities with unobservable prices.

26. FAIR VALUE MEASUREMENT (CONTINUED)

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

Notes: (Continued)

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

	Six months ended 30 June 2020 HK\$'000 (Unaudited)	Six months ended 30 June 2019 HK\$'000 (Unaudited)
Financial assets held for trading and market making activities		
At the beginning of the period	459,257	716,164
Purchases	40,000	19,612
Fair value changes recognised in profit or loss	(60,190)	(23,805)
At the end of the period	439,067	711,971
Financial assets not held for trading and market making activities		
At the beginning of the period and the end of the period	6,073	6,321
Derivative financial instruments		
At the beginning of the period	17,119	10,000
Purchases	15,000	—
Fair value changes recognised in profit or loss	74,490	8,554
Disposals	—	(3,000)
At the end of the period	106,609	15,554
Total unrealised gain/(loss) recognised in profit or loss for assets held at the end of the reporting period	14,300	(8,251)

26. FAIR VALUE MEASUREMENT (CONTINUED)

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

The carrying amounts of the Group's financial assets and financial liabilities measured at amortised cost were not materially different from their fair values as at 30 June 2020 and 31 December 2019.

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

Investment property represented commercial office premises in Hong Kong and are categorised within Level 2 of fair value hierarchy. There have been no transfers between Level 1 and Level 2, or transfers into or out of Level 3 during the six months ended 30 June 2020 and 2019. 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. As at 30 June 2020, the Board considered no material changes in the fair value of the investment property during the period under review. The fair value of the investment property as at 31 December 2019 has been arrived at on the basis of valuation carried out by independent valuers, who holds recognised and relevant professional qualifications and has recent experience in the location and category of the investment property 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.

Management Discussion and Analysis

MACRO ENVIRONMENT

In the first half of the year, the outbreak of novel coronavirus and the tense Sino-U.S. relation dealt an unprecedented blow to the global economy and financial system. The International Monetary Fund (“IMF”) predicted in the World Economic Outlook in June that the global economy would shrink by 4.9% this year, which was more pessimistic than the 3.0% drop in the April forecast. Gross domestic product (“GDP”) growth of major economies in the world all slowed year-on-year in the first quarter, inflation remained low, and exports declined by varying degrees. From the end of February to the beginning of March, due to the Federal Reserve’s interest rate cut expectations and rising risk aversion, the yields of long-term government bonds in many countries took a dive. As monetary policies loosened, the yields of national debts of various countries fell back.

The real GDP of the United States (“U.S.”) fell by 5.0% year-on-year in the first quarter and plunged by 32.9% year-on-year in the second quarter, of which personal consumption expenditure was the biggest drag on the quarter’s GDP. The GDP growth rates of major economies in the euro area and Japan also declined significantly in the first quarter. Weakness in demand led to a continued downtrend in consumer price index, industrial production weakened, and many countries witnessed a sharp rise in unemployment rates. Until now, the pandemic in Europe and the U.S. remains severe, and hence continuously drags the economy. Growth of emerging economies declined in the first quarter, and the downtrend may continue throughout the year. The June IMF report mentioned above predicted that emerging markets and developing economies would shrink by 3.0% this year.

China’s real GDP fell by 6.8% year-on-year in the first quarter and grew by 3.2% year-on-year in the second quarter. The central and local governments introduced various policies to stimulate the economy and boost employment, which greatly shortened the economic recovery cycle. Furthermore, the novel coronavirus outbreak was largely contained in mainland China, which was conducive to the rapid resumption of economic activities in the second quarter.

Looking ahead, global recovery and whether business activities can return to a relatively normal level later this year depend on whether the novel coronavirus outbreak can be contained to allow reopening of economies, and implementation of effective and supportive policies to stimulate economic activities. Given the current market environment, it is believed that global interest rates will remain at low levels.

HONG KONG STOCK MARKET

In the first half of the year, as the global economy was ravaged by the novel coronavirus pandemic and the tense Sino-U.S. relations continued, Hong Kong stocks had been falling on a wobbly journey since the Spring Festival. The Hang Seng Index fell to a low of 21,139 points on 19 March, representing a drop of 25% since the end of last year. Afterwards, as major economies around the world rolled out stimulus measures, the pandemic eased in mainland China, and China's A shares strengthened, the Hong Kong stock market rebounded in mid-March. Later, China concepts stocks including NetEase (09999.HK) and JD.com (09618.HK) returned to Hong Kong for secondary listing in June, stimulating Hong Kong stocks to return to above 25,000 points in mid-June and reach as high as 25,303 points. Summarising the market performance in the first half of 2020, the Hang Seng Index fell 3,762 points or 13.3% to close at 24,427 points; the China Enterprises Index fell 1,410 points or 12.6% to close at 9,758 points. The gap between the peak and trough of the Hang Seng Index exceeded 8,000 points in the half year.

Despite the weak macro economy in the first half of the year, trading in the stock market was quite active. In the first half of 2020, the average daily turnover of the Hong Kong stock market was HK\$117.5 billion, an increase of 20% from HK\$97.9 billion in the same period last year. In the first half of 2020, the average daily volume of index futures amounted to 496,813 contracts, an increase of 1% from 494,141 contracts over the same period last year. In the first half of 2020, there were 64 newly listed companies in the Hong Kong market, a decrease of approximately 24% from the 84 newly listed companies over the same period last year. However, the total amount of funds raised in the first half of 2020 (including funds raised from the initial listing) was HK\$225.8 billion, an increase of approximately 51% from HK\$149.2 billion over the same period last year.

RESULTS AND OVERVIEW

For the six months ended 30 June 2020, the Group recorded net loss of HK\$162 million (interim 2019: net profit of HK\$50.24 million). The Group's reported revenue decreased by approximately 41% to HK\$272 million in interim 2020 (interim 2019: HK\$460 million). Excluding the loss from investments and others business (mainly attributable to fair value change) of HK\$174 million (interim 2019: gains of HK\$60 million), income from other four businesses would be HK\$446 million, representing an increase of 12% from HK\$400 million in interim 2019 calculated on the same basis.

Excluding the impact of certain material items (the Group presented the adjusted data as the impact of those items would distort the comparison of interim figures of the recurring business of the Group), the Group's adjusted profit before tax in interim 2020 was HK\$16 million.

Adjusted results	Six months ended 30 June 2020 HK\$'000 (Unaudited)	Six months ended 30 June 2019 HK\$'000 (Unaudited)
Adjusted revenue	332,173	463,660
Adjusted total expenses*	(316,249)	(292,948)
Adjusted profit before tax	15,924	170,712

* Adjusted total expenses include other income/(loss), share of results of an associate and share of results of joint ventures

The adjusted items include:

- 1) Revenue being adjusted for change in valuation of certain unlisted investments recorded an unrealised loss of about HK\$78 million in interim 2020.
- 2) Revenue being adjusted for change in market price of certain listed stocks during interim 2020 resulted in a net unrealised gain of about HK\$19 million.
- 3) Expense being adjusted for special and general impairment provision for other loans and bonds was about HK\$120 million in interim 2020.

Analysis of Continuing Connected Transactions — Revenue
For the six months ended 30 June 2020

	Analysis:		
	Revenue	Continuing connected transactions	Transactions with independent third parties
	HK\$ million (Unaudited)	HK\$ million (Unaudited)	HK\$ million (Unaudited)
1) Corporate finance business	8	—	8
2) Asset management business	22	11	11
3) Brokerage business	86	—	86
4) Interest income business	330	141	189
— Loans to margin clients	88	1	87
— Others	242	140	102
5) Investments and others business	(174)	2	(176)
	272	154	118

As shown in the table above, interest income accounted for the highest proportion of the revenue from continuing connected transactions (“CCT”), representing approximately 92% of the total amount of continuing connected transactions. Excluding investments and others business, revenue from continuing connected transactions accounted for 34% of the Company’s total revenue calculated on the same basis.

Analysis of Continuing Connected Transactions — Balance Sheet Items As at 30 June 2020

	Analysis:		
	Continuing connected transactions	Transactions with independent third parties	
HK\$ million (Unaudited)	HK\$ million (Unaudited)	HK\$ million (Unaudited)	
Major items extracted from the balance sheet:			
Financial assets held for trading and market making activities			
	1,858	693	1,165
— Listed debt securities	14	—	14
— Listed equity securities	688	—	688
— Unlisted debt securities	732	693	39
— Unlisted equity securities	261	—	261
— Unlisted mutual funds	24	—	24
— Private equity fund	139	—	139
Financial assets not held for trading and market making activities			
	352	91	261
— Unlisted debt securities	346	91	255
— Unlisted equity securities	6	—	6
Derivative financial instruments	107	—	107
Loans to margin clients	1,668	38	1,630
Advances to customers for merger and acquisition activities	160	—	160
Other loans	3,342	1,955	1,387
	7,487	2,777	4,710

As loans to connected parties were executed in different forms in practice, each item was classified by its actual form in accordance with the relevant HKFRSs. The CCT asset in the Group amounted to a total of HK\$2,777 million, representing approximately 28% of total assets and approximately 49% of net assets.

BUSINESS REVIEW

Since the beginning of 2020, the novel coronavirus pandemic has brought uncertainties to the operating environment of the Group. In respect of the operating targets completed in interim 2020, the overall figures declined compared with those in interim 2019. The Group's market share in the secondary stock market of Hong Kong decreased slightly year-on-year. In interim 2020, the Group entered into 1 sponsorship engagement for initial public offerings. We also signed 5 financial advisor/independent financial advisor mandates and were underwriters in 10 initial public offerings and other fund raising exercises. As at 30 June 2020, our assets under management ("AUM") reached US\$259 million, representing a decrease of 14% from the same period in 2019 and a decrease of 8% from the end of 2019, mainly due to the decrease in value of investment portfolio. Total loans (including margin loans, other loans and advances to customers for merger and acquisition activities) amounted to HK\$5,169 million, representing a decrease of 5% from HK\$5,466 million as at 31 December 2019. Given the volatile market condition in the first half of the year, the Group took the initiative to reduce the level of margin loans. Hence, as at 30 June 2020, the Group's margin loans amounted to HK\$1,668 million (trade date basis), representing a drop of 16% from HK\$1,978 million (trade date basis) as at the end of 2019.

FINANCIAL REVIEW

As revenue from investments and others business is subject to market volatility, here is an analysis of our other four businesses for readers to comprehend our financial performance:

Revenue	Interim 2020		Interim 2019		Change
	HK\$ million	Proportion	HK\$ million	Proportion	
Corporate finance business	8	2%	23	6%	(65%)
Asset management business	22	5%	11	3%	100%
Brokerage business	86	19%	88	22%	(2%)
Interest income business	330	74%	278	69%	19%
Total revenue (excluding revenue from investments and others business)	446	100%	400	100%	12%

From the above table, the rising proportions included interest income business and asset management business, which has increased from 69% and 3% in interim 2019 to 74% and 5% in interim 2020, respectively; while the falling proportions included revenue from brokerage business and corporate finance business, which has decreased from 22% in interim 2019 to 19% in interim 2020 and from 6% in interim 2019 to 2% in interim 2020, respectively.

Corporate Finance Business

The Group's corporate finance business comprises sponsorship for listing, financial advisory, financing consultation service, equity capital market and debt capital market. Revenue from corporate finance business has dropped roughly 63% from HK\$22.50 million in interim 2019 to HK\$8.28 million in interim 2020. It was mainly due to the decrease in sponsorship revenue as there was no listing of sponsorship projects in the first half of this year, and the decrease in underwriting commission as there was no substantial contribution as senior participants (e.g. global coordinator) in syndicates of initial public offerings the first half of this year.

Asset Management Business

Revenue from asset management business has increased 95% from HK\$11.07 million in interim 2019 to HK\$21.55 million in interim 2020. Out of which, management fee income has dropped 16% from HK\$9.41 million in interim 2019 to HK\$7.87 million in interim 2020, due to the lower average AUM in interim 2020 than that in interim 2019, being affected by the high market volatility. However, the performance fee income has increased significantly by about 7 times from HK\$1.66 million in interim 2019 to HK\$13.68 million in interim 2020, which was mainly resulted from the sound performance in discretionary accounts and guaranteed return segregated portfolio.

Brokerage Business

Revenue from brokerage business has slightly decreased by approximately 3% from HK\$88.09 million in interim 2019 to HK\$85.84 million in interim 2020, mainly due to the decrease in the commission income from the Hong Kong stock market. Commission income from futures and options products has slightly increased by roughly 9% from HK\$40.12 million in interim 2019 to HK\$43.92 million in interim 2020, mainly attributed to the more active global futures products trading. Handling, custodian and other service fee income has decreased roughly 15% from HK\$11.26 million in interim 2019 to HK\$9.58 million in interim 2020, mainly due to the absence of handling fees from one-off transactions during the first half of the year as compared to the same period last year.

Interest Income Business

Interest income recorded for interim 2020 was HK\$330 million, an increase of roughly 19% as compared to HK\$278 million for interim 2019. The increase was mainly due to the higher loan balance to clients and higher average interests charged. The interest income from other loans has increased roughly 40% from HK\$123 million in interim 2019 to HK\$172 million in interim 2020, of which, the increase in interest rates have greater contribution than the increase in loan balance. The interest income from loans to margin clients has decreased roughly 14% from HK\$101 million in interim 2019 to HK\$87 million in interim 2020, which was mainly because we have actively reduced the balance of loans to high-risk customers and resulted in a decrease in the average balance of margin loans as compared to the corresponding period.

Investments and Others Business

Income from investments and others business has recorded HK\$174 million loss in interim 2020 as compared to HK\$60.32 million gain in interim 2019. It mainly comprised of loss on investments of approximately HK\$108 million (interim 2019: HK\$63 million gain) and fair value losses of loans to margin clients of approximately HK\$75 million (interim 2019: HK\$11 million loss).

Expenses

Direct cost has slightly increased by 2% from HK\$84 million in interim 2019 to HK\$86 million in interim 2020. The trend is similar to the income from our brokerage business. With the slight average increase in the payout ratio to self-employed account executives, there was a small increment in the absolute amount of direct cost. Staff cost has increased by 22% from HK\$101 million in interim 2019 to HK\$124 million in interim 2020, which was mainly due to the slight increase in the general number of employees as compared to the corresponding period and the Company has distributed a special anti-pandemic allowance to its staff during the second quarter of this year.

Impairment loss has increased about 9% from HK\$111 million in interim 2019 to HK\$121 million in interim 2020. As mentioned above, since the real economy has been greatly affected by the ongoing novel coronavirus pandemic, together with the deteriorating economic outlook, for the interim of this year, the Expected Credit Losses for the first and second stages of other loans and bonds (“general provision”) has increased significantly by 5 times to HK\$86.34 million, however, the Expected Credit Losses for the third stage (“specific provision”) has a sharp decrease from HK\$95.13 million in the interim period last year to HK\$33.76 million in the interim period this year, which has minimized the overall increase.

Finance cost has increased by approximately 9% from HK\$56.37 million in interim 2019 to HK\$61.49 million in interim 2020, which was mainly because the average notes financing amount increased significantly while the average bank loan amount decreased. Among this, the loan from China Minsheng Bank Corporation Ltd. Hong Kong Branch (the "CMBC HK Branch") has decreased from HK\$1 billion in interim 2019 to HK\$0.8 billion in interim 2020.

PROSPECTS

Encountering various complex objective factors, such as geopolitical issues, growing tension between the Sino-U.S. relation, impacts of the ongoing novel coronavirus pandemic on the real economy, volatility of the capital market and changes in credit levels of our customers, we expect to encounter severe operating conditions in the near future. In Hong Kong, in the midst of economic downturn, rising unemployment rate and certain sectors are particularly hit by the novel coronavirus pandemic, we are highly conscious about potential provisions arising from future expected credit losses.

In addition, the interest rate in the U.S. has remained low for a period of time, governments of different countries have implemented various counter pandemic subsidies which resulted in large amounts of funds channeled into the capital markets but real economic activities have experienced drastic decrease due to the novel coronavirus pandemic, the continuation of these circumstances will also pose challenges to the Group. During the first quarter of this year, the Group has initiated cost control measures to curb unnecessary expenses. It is expected that the cost control measures will continue to be in place in the second half of the year to mitigate the pressure from possible decrease in revenue. In light of the considerable uncertainties for the current situation, the Group will, from time to time, review our investment portfolios and business segments, to ensure a smooth transition in the severe environment.

Notwithstanding the above, the Group still strives to explore new securities customers and to increase the number of corporate financing and financial advisory projects, as well as launching new product platforms (such as Quamnet Derivative investment platform) and seeking to broaden assets management products.

Looking forward, we will commit to unite and perform ourselves well. We hope that with the end of the novel coronavirus pandemic and after other uncertainties have been removed, the business environments of Hong Kong and the world will return to normal, such that the Group's results can be restored to a relatively normal level and bring higher return to all shareholders.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flow as well as through the utilisation of banking facilities and short-term loans and notes from independent third parties. From time to time, the Company may raise capital by issuing new shares or issuing debt instruments. The Group's cash on hand as at 30 June 2020 stood at around HK\$284 million (31 December 2019: HK\$182 million).

As at 30 June 2020, the Group's total borrowings was HK\$2,353 million, showing an increase of 16% from HK\$2,037 million as at 31 December 2019. Borrowings mainly consisted of two components. The first component was bank facilities and secured financing of around HK\$1,733 million (31 December 2019: HK\$1,826 million), of which the Group had available aggregate banking facilities of around HK\$4,049 million (31 December 2019: HK\$4,249 million), and most was secured by the legal charge on certain securities owned by the margin clients of the Group. The second component was issuance of notes, which amounted to HK\$620 million as at 30 June 2020 (31 December 2019: HK\$211 million). As at 30 June 2020, the Group's gearing ratio (leverage) was 42% (31 December 2019: 35%), being calculated as total borrowings divided by net assets at balance sheet dates. The management has applied prudent risk and credit management on our borrowings. In addition, the Group is required to strictly follow regulatory re-pledging ratios and prudent bank borrowing benchmarks that govern the extent of bank borrowings in our SFC licensed subsidiary.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

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

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2020, assets of HK\$1,314 million (31 December 2019: HK\$1,297 million) were charged to banks and other lenders for facilities.

CONTINGENT LIABILITIES

Counterclaim by a Hong Kong listed company

On 4 February 2019, China Tonghai Securities, our subsidiary, initiated legal proceedings against a Hong Kong listed company (the “Defendant”) in the High Court of the Hong Kong Special Administrative Region in respect of the failure of payment of commission fees to China Tonghai Securities under the agreement on provision of financial agency services dated 28 March 2018 (the “Agency Agreement”) to recover the remaining commission fees of HK\$10.35 million not yet paid by the Defendant to China Tonghai Securities (not yet booked). The Defendant submitted its defense and counterclaim in mid-2019. Save as disclosed above, the Directors consider that the Group has no other contingent liabilities. Although the possible consequence of the above case is now uncertain, the Directors consider any possible legal obligations arising from the above counterclaim would not impose any material impact on the financial position of the Group.

EMPLOYEES AND REMUNERATION POLICIES

On 30 June 2020, the Group had 238 full time employees (31 December 2019: 242) in Hong Kong and 30 full time employees (31 December 2019: 30) in Mainland China. In addition, the Group has 87 self-employed sales representatives (31 December 2019: 87). Competitive total remuneration packages are offered to employees by reference to industry remuneration research reports, prevailing market practices and standards and individual merit. Salaries are reviewed annually, and 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 as a means of reward and staff retention.

RISK MANAGEMENT

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

Credit Risk

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

Market Risk

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

Liquidity Risk

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

Operational Risk

Operational risk is the risk of financial loss arising mainly from negligence or omission of internal procedural management, information system failures or personnel misconduct of staff. The Group actively schedules briefing sessions to improve risk awareness amongst employees, and instructs all departments to establish internal procedural and control guidelines. There is an Operational Risk Events Reporting procedure to ensure that all risk events are timely reported to the Risk, Compliance and IT departments for immediate implementation of remedial action.

Regulatory Compliance Risk

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

INTERIM DIVIDEND

The board of directors of the Company (the “Board”) has resolved not to declare an interim dividend in respect of the six months ended 30 June 2020 (2019: Nil).

DIRECTORS’ INTERESTS

As at 30 June 2020, 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 of the Company (“Shares”)

Name of Director	Capacity	Number of Shares held	Approximate percentage of shareholding in the Shares in issue (Note 1)
Mr. Kenneth LAM Kin Hing	Beneficial owner	113,072,833	1.82%

II) Long position in the shares of associated corporations of the Company

(a) *Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司)* (“Oceanwide Holdings”)

Name of Director	Capacity	Number of shares in Oceanwide Holdings	Approximate percentage of shareholding in Oceanwide Holdings (Note 2)
Mr. HAN Xiaosheng	Beneficial owner	3,500,000	0.06%
Mr. ZHANG Bo	Beneficial owner	510,000	0.009%
Mr. ZHANG Xifang	Beneficial owner	276,000	0.005%
Mr. LIU Hongwei	Beneficial owner	30,000	0.0005%
Mr. LIU Bing	Beneficial owner	90,000	0.001%
Mr. ZHAO Yingwei	Beneficial owner	200,000	0.003%
Mr. ZHAO Xiaoxia	Beneficial owner	183,500	0.003%

(b) *China Oceanwide Holdings Limited (“China Oceanwide”)*

Name of Director	Capacity	Number of shares in China Oceanwide	Approximate percentage of shareholding in China Oceanwide (Note 2)
Mr. LIU Jipeng	Beneficial owner	9,212,000	0.05%

* For identification purposes only

III) Interest in the debentures of associated corporations of the Company

Name of Director	Name of associated corporation	Nature of interest	Amount of debentures
Mr. Kenneth LAM Kin Hing	Oceanwide Holdings International Development III Co., Ltd.	Personal interest	US\$5,000,000
	Oceanwide Holdings International 2017 Co., Limited	Personal interest	US\$400,000

Notes:

1. The approximate percentage shown was the number of Shares the relevant Director was interested in expressed as a percentage of the total number of issued Shares as at 30 June 2020.
2. The approximate percentage shown 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 2020.

Save as disclosed above, as at 30 June 2020, 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 AND OTHER PERSON'S INTERESTS

As at 30 June 2020, 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 and underlying Shares

Name of holder of Shares/ underlying Shares	Capacity	Number of Shares and underlying Shares held	Approximate percentage of shareholding in the Shares in issue (Note 11)
Mr. LU Zhiqiang ("Mr. LU")	Interest of controlled corporations	4,493,764,732 (Note 1)	72.51%
Ms. HUANG Qiongzhi	Interest of controlled corporations	4,493,764,732 (Note 1)	72.51%
Tohigh Holdings Co., Ltd.* (通海控股有限公司)	Interest of controlled corporations	4,493,764,732 (Note 2)	72.51%
Oceanwide Group Co., Ltd.* (泛海集團有限公司)	Interest of controlled corporations	4,493,764,732 (Note 3)	72.51%
China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司)	Interest of controlled corporations	4,493,764,732 (Note 4)	72.51%
Oceanwide Holdings	Interest of controlled corporations	4,493,764,732 (Note 5)	72.51%
China Oceanwide Group Limited	Interest of controlled corporations	4,493,764,732 (Note 5)	72.51%
Oceanwide Holdings International Financial Development Co., Ltd. ("Oceanwide Holdings IF")	Beneficial owner	4,493,764,732 (Note 5)	72.51%
Haitong Securities Co., Ltd.	Interest of controlled corporations	4,100,000,000 (Note 6)	66.16%
Haitong International Holdings Limited	Interest of controlled corporations	4,100,000,000 (Note 7)	66.16%
Haitong International Securities Group Limited	Interest of controlled corporations	4,100,000,000 (Note 8)	66.16%
Haitong International Investment Solutions Limited	Security interest in Shares	4,100,000,000 (Note 9)	66.16%

* For identification purposes only

Notes:

1. Mr. LU and Ms. HUANG Qiongzi (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 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 70.88% interest in the issued share capital of Oceanwide Holdings. 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.
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. During 2 January 2020 to 30 June 2020, the Company was informed by Oceanwide Holdings IF that a total of 690,000 Shares were sold in the open market, as a result of which the number of Shares it held was reduced from 4,494,454,732 to 4,493,764,732. By virtue of the SFO, China Oceanwide Group Limited and Oceanwide Holdings are deemed to be interested in 4,493,764,732 Shares.
6. 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.
7. Haitong International Holdings Limited indirectly held 63.08% 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.
8. Haitong International Investment Solutions Limited is an indirect subsidiary of Haitong International Securities Group Limited. By virtue of the SFO, Haitong International Securities Group Limited is deemed to be interested in all the Shares held by Haitong International Investment Solutions Limited.
9. According to the announcement of Oceanwide Holdings dated 5 December 2018, Oceanwide Holdings IF issued to Haitong International Investment Solutions Limited the short term notes in the principal amount up to HK\$1,100,000,000 pursuant to which Oceanwide Holdings IF has pledged 4,100,000,000 Shares (representing 66.16% of the issued share capital of the Company as at 30 June 2020) to Haitong International Investment Solutions Limited.

* For identification purposes only

10. 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 30 June 2020, as far as the Directors were aware, CMBCI and the Co-Investors had ceased to have any interests in the Shares.

11. The approximate percentage shown was the number of Shares the relevant company/person was interested in expressed as a percentage of the total number of issued Shares as at 30 June 2020.

Save as disclosed above, as at 30 June 2020, 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 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 ("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 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 terms. On 18 August 2020, the Board resolved to renew the Share Award Scheme for five years as from 19 August 2020 to 18 August 2025 (the "Renewal"). Further details of the Share Award Scheme and the Renewal were set out in the announcements of the Company dated 19 August 2010 and 18 August 2020 respectively.

As at 30 June 2020, a total of 51,172,002 Awarded Shares are now held by the trustee under the Restricted Shares Award Trust which is available for allocation and no Awarded Share has been granted during the six months ended 30 June 2020. The trust period of the Restricted Share Award Trust was extended to 18 August 2025 or until informed by the Company.

Save as disclosed above, at no time during the six months ended 30 June 2020 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

As at 30 June 2020, the following advances (loans and notes) were outstanding:

Items	Transactions	Amortised cost		Fair value	
		Principal amounts	Carrying amounts	Principal amounts	Carrying amounts

The following term loans were provided or extended by China Tonghai Finance Limited ("China Tonghai Finance", an indirect wholly-owned subsidiary of the Company) to China Oceanwide:

1	on 21 December 2019, extended a term loan of HK\$280 million with an adjusted interest rate of 12% per annum and with a maturity date of 21 December 2020.	HK\$280 million	HK\$286 million (Note 1a)	—	—
2	on 4 March 2020, provided a term loan of HK\$156 million with an interest rate of 12% per annum and with a maturity date of 31 December 2020.	HK\$156 million	HK\$160 million (Note 1a)	—	—

Items	Transactions	Amortised cost		Fair value	
		Principal amounts	Carrying amounts	Principal amounts	Carrying amounts
3	on 1 April 2020, extended a term loan in an amount of HK\$3 million with an interest rate of 12% per annum and with a maturity date of 31 March 2021.	HK\$3 million	HK\$3 million (Note 1a)	—	—
4	on 1 April 2020, extended a term loan in an amount of HK\$5 million with an interest rate of 12% per annum and with a maturity date of 31 March 2021.	HK\$5 million	HK\$5 million (Note 1a)	—	—
5	on 1 April 2020, extended a term loan in an amount of HK\$8 million with an interest rate of 12% per annum and with a maturity date of 31 March 2021.	HK\$8 million	HK\$8.1 million (Note 1a)	—	—
6	on 24 April 2020, provided a term loan of HK\$28 million with an interest rate of 12% per annum and with a maturity date of 31 March 2021.	HK\$28 million	HK\$28 million (Note 1a)	—	—

The following term loans and margin facility were provided or extended to China Oceanwide International Investment Company Limited (“COII”) or Minyun Limited (“Minyun”), the indirect subsidiaries of Tohigh Holdings Co., Ltd.* (通海控股有限公司):

1	on 3 December 2019, China Tonghai Finance provided a term loan of HK\$64.5 million with an interest rate of 7.875% per annum and with a maturity date of 31 January 2022 to Minyun.	HK\$64.5 million	HK\$65.6 million (Note 1a)	—	—
2	on 4 July 2020, China Tonghai Finance extended the consolidated loans in an aggregate amount of approximately HK\$141 million with an interest rate of 12% per annum and with a maturity date of 30 June 2021 to COII.	HK\$141 million	HK\$148 million (Note 1a)	—	—

Items	Transactions	Amortised cost		Fair value	
		Principal amounts	Carrying amounts	Principal amounts	Carrying amounts
3	an outstanding margin facility of HK\$5 million provided by China Tonghai Securities Limited ("China Tonghai Securities", an indirect wholly-owned subsidiary of the Company) to Minyun pursuant to the terms of facility agreement dated 3 March 2020 at a compound monthly interest rate of 1% above prime rate. The facility is secured by the collateral which shall be charged to or held by China Tonghai Securities for its benefit as a first priority fixed continuing security for the payment and/or discharge to China Tonghai Securities of all and any of the Minyun's liabilities to China Tonghai Securities pursuant to the terms of the facility.	—	—	HK\$5 million	HK\$4 million (Note 2a)
4	an outstanding margin facility of HK\$38 million provided by China Tonghai Securities to COII pursuant to the terms of facility agreement dated 3 March 2020 at interest rate of 3% above prime rate per annum payable by COII annually. The facility is secured by the collateral which shall be charged to or held by China Tonghai Securities for its benefit as a first priority fixed continuing security for the payment and/or discharge to China Tonghai Securities of all and any of the COII's liabilities to China Tonghai Securities pursuant to the terms of the facility.	—	—	HK\$38 million	HK\$33 million (Note 2a)
5	on 4 March 2020, China Tonghai Finance provided a term loan of HK\$45 million with an interest rate of 12% per annum and with a maturity date of 31 December 2020 to COII.	HK\$45 million	HK\$46 million (Note 1a)	—	—
6	on 28 January 2020, China Tonghai Finance extended a term loan in the aggregate amount of HK\$678 million with an adjusted interest rate of 9.5% per annum and with a maturity date of 28 January 2021 to COII.	HK\$678 million	HK\$681 million (Note 1a)	—	—
7	on 4 July 2020, China Tonghai Finance extended a term loan of HK\$12 million with an interest rate of 12% per annum and with a maturity date of 30 June 2021 to COII.	HK\$12 million	HK\$12.3 million (Note 1a)	—	—

Items	Transactions	Amortised cost		Fair value	
		Principal amounts	Carrying amounts	Principal amounts	Carrying amounts
8	on 16 March 2020, China Tonghai Finance provided a term loan of HK\$12.5 million with an interest rate of 12% per annum and with a maturity date of 31 December 2020 to COIL.	HK\$12.5 million	HK\$12.7 million (Note 1a)	—	—
9	on 6 May 2020, China Tonghai Finance provided a term loan of HK\$3 million with an interest rate of 12% per annum and with a maturity date of 31 March 2021 to COIL.	HK\$3 million	HK\$3 million (Note 1a)	—	—

The following term loan, unlisted senior notes and unsecured private notes were provided or extended to Oceanwide Holdings International Development III Co., Ltd. (the "Issuer/OHIDIII", a subsidiary of Oceanwide Holdings):

1	on 16 April 2020, China Tonghai Capital (Holdings) Limited ("China Tonghai Capital Holdings", a wholly-owned subsidiary of the Company) and China Tonghai Securities subscribed unlisted senior notes issued by the Issuer in the subscription amount of US\$91 million (equivalent to approximately HK\$709.8 million) with coupon interest rate of 11.5% per annum, payable semi-annually and with a maturity date of 15 April 2021.	—	—	HK\$709.8 million	HK\$693 million (Note 2b)
2	on 4 June 2020, China Tonghai Capital Holdings subscribed an unsecured private notes issued by the Issuer in the subscription amount of US\$12 million (equivalent to approximately HK\$93.6 million) with coupon interest rate of 11.5% per annum and with a maturity date of 2 June 2021.	HK\$93 million	HK\$91 million (Note 1b)	—	—
3	on 1 April 2020, China Tonghai Finance extended the consolidated term loans in an aggregate amount of approximately HK\$361 million with an interest rate of 12% per annum and with a maturity date of 31 March 2021.	HK\$361 million	HK\$364 million (Note 1a)	—	—
4	on 14 July 2020, China Tonghai Finance extended a term loan of HK\$45 million with an adjusted interest rate of 11% per annum and with a maturity date of 30 June 2021.	HK\$45 million	HK\$46 million (Note 1a)	—	—

Items	Transactions	Amortised cost		Fair value	
		Principal amounts	Carrying amounts	Principal amounts	Carrying amounts
5	on 14 July 2020, China Tonghai Finance extended a term loan of HK\$27.5 million with an interest rate of 12% per annum and with a maturity date of 30 June 2021.	HK\$27.5 million	HK\$28.5 million (Note 1a)	—	—
6	on 13 March 2020, China Tonghai Finance provided a term loan of HK\$27.5 million with an interest rate of 12% per annum and with a maturity date of 31 December 2020.	HK\$27.5 million	HK\$28 million (Note 1a)	—	—
7	on 14 April 2020, China Tonghai Finance provided a term loan of HK\$20 million with an interest rate of 12% per annum and with a maturity date of 31 March 2021.	HK\$20 million	HK\$20 million (Note 1a)	—	—
8	on 24 April 2020, China Tonghai Finance provided a term loan of HK\$10 million with an interest rate of 12% per annum and with a maturity date of 31 March 2021.	HK\$10 million	HK\$10 million (Note 1a)	—	—
Total		HK\$2,020 million	HK\$2,046.2 million	HK\$752.8 million	HK\$730 million

Notes:

- 1a. As at 30 June 2020, carrying amounts (including interests) of approximately HK\$1,955.2 million form part of the HK\$3,228 million total for current portion of other loans (note 17) in the consolidated statement of financial position.
- 1b. As at 30 June 2020, carrying amounts (including interests) of HK\$91 million form part of the HK\$346 million total for current portion of financial assets not held for trading and market making activities (note 13) in the consolidated statement of financial position.
- 2a. As at 30 June 2020, carrying amounts (including interests) of HK\$37 million form part of the HK\$1,668 million total for current portion of loans to margin clients (note 15) in the consolidated statement of financial position.
- 2b. As at 30 June 2020, carrying amounts (including interests) of HK\$693 million form part of the HK\$1,719 million total for current portion of financial assets held for trading and market making activities (note 12) in the consolidated statement of financial position.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

1. On 10 July 2020, the Company entered into a deed of amendment and restatement (together with the banking facility agreement entered on 11 July 2018 and the deed of amendment entered on 11 July 2019, collectively known as the “2020 Banking Facility Arrangement”) with a licensed bank in Hong Kong as lender to extend the banking facility with the principal amount of HK\$750,000,000 (the “Extended Banking Facility”) for 1 year.

Pursuant to the 2020 Banking Facility Arrangement, 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 3,095,818,070 shares of China Oceanwide respectively, which represents approximately 6.38% of the total issued Shares and approximately 19.18% of total issued shares of China Oceanwide respectively in favour of the licensed bank, as at the date of this report.

Pursuant to the terms of the 2020 Banking Facility Arrangement, Mr. LU and his parties acting in concert, shall at all times directly or indirectly beneficially own not less than 60% of the issued Shares. As at the date of this report, Mr. LU, through his controlled corporation, beneficially own approximately 72.51% of the issued Shares. Upon the breach of this condition, the Extended Banking Facility will immediately and automatically be cancelled and all outstanding loans, together with accrued interest, and all other amounts accrued under the 2020 Banking Facility Arrangement, become immediately due and payable.

2. On 20 September 2019, an indirect wholly-owned subsidiary of the Company as borrower entered into a facility agreement (the “September Banking Facility Agreement”) with a licensed bank in Hong Kong as lender in relation to a revolving loan facility in the principal amount of up to HK\$200 million (the “September Banking Facility”). The maturity date of September Banking Facility was the date falling one year commencing from the date of drawdown. Pursuant to the September Banking Facility Agreement, Mr. LU and his parties acting in concert, shall at all times maintain directly or indirectly not less than 50% of the shareholdings of the borrower and shall maintain the absolute management control over the borrower and the Company. It will be an event of default upon the breach of this condition and in such event, the lender may declare that the loan under the September Banking Facility shall become immediately due and payable by the borrower.

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

Changes of information of the Directors since the date of 2019 Annual Report 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. ZHANG Xifang	— Became a non-executive director of China Bohai Bank Co., Ltd., whose shares are listed on the Stock Exchange (Stock Code: 9668) in July 2020
Mr. ZHAO Yingwei	— Entered the letter of appointment with the Company for a term of one year commencing 28 March 2020
Mr. Roy LO Wa Kei	— Ceased to be an independent non-executive director of Sheen Tai Holdings Group Company Limited, whose shares are listed on the Stock Exchange (Stock Code: 1335), in May 2020
Mr. KONG Aiguo	— Appointed as an independent director of Geron Co., Ltd.* (金輪藍海股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 002722), in May 2020 — Ceased to be an independent director of Oceanwide Holdings, whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000046), in May 2020
Mr. LIU Jipeng	— Appointed as an independent director of Valiant Co., Ltd.* (中節能萬潤股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 002643), in May 2020 — Ceased to be an independent director of China-Singapore Suzhou Industrial Park Development Group Co., Ltd.* (中新蘇州工業園區開發集團股份有限公司), whose shares are listed on the Shanghai Stock Exchange (Stock Code: 601512), in June 2020
Mr. HUANG Yajun	— Ceased to be an independent director of Shanghai ZiJiang Enterprise Group Co., Ltd.* (上海紫江企業集團股份有限公司), whose shares are listed on the Shanghai Stock Exchange (Stock Code: 600210), in June 2020

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

* For identification purposes only

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 June 2020, 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.

In response to specific enquiry, all of the Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company throughout the six months ended 30 June 2020.

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 2020 and subsequent period up to the date of the report, save for the deviations from code provision A.5.1 which stipulates that a Nomination Committee should be established. In view of the stage of business growth, 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 2020 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

China Tonghai International Financial Limited

HAN Xiaosheng

Chairman

Hong Kong, 27 August 2020

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. 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

China Tonghai International Financial Limited

AUDITOR

KPMG

Certified Public Accountants and Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

HONG KONG LEGAL ADVISER

Howse Williams

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 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Minsheng Banking Corp., Ltd.
Hong Kong Branch
Chong Hing Bank Limited
Dah Sing Bank, Limited
Fubon Bank (Hong Kong) Limited
Shanghai Commercial Bank Limited
Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited
Nanyang Commercial Bank, Limited

STOCK CODE

952

WEBSITE OF TONGHAI FINANCIAL GROUP

www.tonghaifinancial.com

INVESTOR RELATIONS

Tel: (852) 2217-2888

Fax: (852) 3905-8731

Email: ir@tonghaifinancial.com