



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

2022

Interim Report

Your Growth Partner



This report is printed on environmentally friendly paper

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Condensed Consolidated Statement of Profit or Loss

	Notes	Six months ended 30 June 2022 HK\$'000 (Unaudited)	Six months ended 30 June 2021 HK\$'000 (Unaudited)
Fee and commission income	5	62,696	120,611
Interest income			
— Calculated using the effective interest method	5	151,622	213,720
— Calculated using other method	5	65,074	97,214
Net investment (loss)/gain	5	(252,474)	71,413
Total revenue	5	26,918	502,958
Other income	6	12,077	1,544
Direct costs		(54,003)	(72,352)
Staff costs	7	(89,644)	(98,601)
Depreciation and amortisation	7	(21,447)	(23,537)
Expected Credit Loss ("ECL") net charges		(80,570)	(234,444)
Finance costs			
— Interest on borrowings		(23,711)	(31,811)
— Interest on lease liabilities		(804)	(1,525)
Other operating expenses	8	(28,329)	(25,717)
Share of result of an associate		(242)	(170)
Share of results of joint ventures		—	(428)
(Loss)/profit before tax	7	(259,755)	15,917
Tax credit/(expense)	9	14,164	(2,016)
Net (loss)/profit attributable to equity holders of the Company		(245,591)	13,901
		HK cent(s)	HK cent(s)
(Loss)/earnings per share for net (loss)/profit attributable to equity holders of the Company			
— Basic and diluted	10	(3.996)	0.226
Dividend per share	11	Nil	Nil

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

Condensed Consolidated Statement of Financial Position

		As at 30 June 2022			As at 31 December 2021		
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							
	213,695	—	213,695	405,290	—	405,290	
	1,128,372	—	1,128,372	1,178,362	—	1,178,362	
12	897,843	63,218	961,061	1,026,012	83,082	1,109,094	
13	239,847	4,210	244,057	267,612	4,210	271,822	
14	38,491	—	38,491	17,267	—	17,267	
15	997,299	—	997,299	1,382,977	—	1,382,977	
	143,457	—	143,457	189,308	—	189,308	
16	1,669,824	75,628	1,745,452	1,517,018	81,040	1,598,058	
17	2,079	—	2,079	2,050	—	2,050	
18	434,776	—	434,776	454,165	—	454,165	
19	76,764	—	76,764	84,577	—	84,577	
	—	2,188	2,188	—	2,430	2,430	
	—	19,333	19,333	—	20,172	20,172	
	—	16,195	16,195	—	21,517	21,517	
20	—	52,459	52,459	—	72,724	72,724	
21	12,125	—	12,125	15,947	—	15,947	
	—	43,385	43,385	—	15,525	15,525	
TOTAL ASSETS	5,854,572	276,616	6,131,188	6,540,585	300,700	6,841,285	
LIABILITIES AND EQUITY							
Liabilities							
	1,159,015	—	1,159,015	1,502,854	—	1,502,854	
23	1,482,549	—	1,482,549	1,541,785	—	1,541,785	
22	7,272	—	7,272	11,004	—	11,004	
	29,198	852	30,050	33,572	13,879	47,451	
	78,218	—	78,218	117,174	—	117,174	
	23,871	—	23,871	23,362	—	23,362	
	—	447	447	—	860	860	
TOTAL LIABILITIES	2,780,123	1,299	2,781,422	3,229,751	14,739	3,244,490	
Equity							
			20,657			20,657	
24			3,329,109			3,576,138	
TOTAL EQUITY			3,349,766			3,596,795	
TOTAL LIABILITIES AND EQUITY			6,131,188			6,841,285	
<i>Net current assets</i>			3,074,449			3,310,834	

Condensed Consolidated Cash Flow Statement

	Six months ended 30 June 2022 HK\$'000 (Unaudited)	Six months ended 30 June 2021 HK\$'000 (Unaudited)
Cash flows from operating activities		
(Loss)/profit before tax	(259,755)	15,917
Adjustments for:		
Amortisation of other intangible assets	919	1,290
Changes in net assets value attributable to other holders of consolidated investment funds	(1,824)	2,558
Depreciation of property and equipment	20,528	22,247
Dividend income	(4,646)	(10,355)
Finance costs	24,515	33,336
Net charges of ECL provisions	80,570	234,444
Interest income	(216,696)	(310,934)
Net realised and unrealised loss/(gain) on financial assets measured at fair value through profit or loss	257,120	(61,058)
Share of result of an associate	242	170
Share of results of joint ventures	—	428
Operating loss before working capital changes	(99,027)	(71,957)
Decrease/(increase) in other assets	5,435	(1,161)
Decrease in accounts receivable, prepayments, deposits and other receivables	25,248	38,568
Decrease/(increase) in loans to margin clients	216,330	(129,435)
Decrease in financial assets held for trading	39,037	969,228
Increase in financial assets not held for trading	(4,985)	(680,655)
Decrease in derivative financial instruments	—	14,054
Decrease in advances to customers for corporate actions	45,851	—
Increase in other loans	(126,928)	(64,238)
(Increase)/decrease in reverse repurchase agreements	(13)	160,213
Decrease in bank balances held on behalf of clients	49,990	127,628
Decrease in accounts payable, contract liabilities, accruals and other payables	(98,721)	(252,486)
Cash generated from operations	52,217	109,759
Dividend received	4,646	10,355
Interest received	150,591	184,167
Income tax paid, net	(9,778)	(13,570)
<i>Net cash generated from operating activities</i>	197,676	290,711

	Six months ended 30 June 2022 HK\$'000 (Unaudited)	Six months ended 30 June 2021 HK\$'000 (Unaudited)
Cash flows from investing activities		
Purchases of other intangible assets	(80)	(530)
Purchases of property and equipment	(538)	(1,456)
<i>Net cash used in investing activities</i>	(618)	(1,986)
Cash flows from financing activities		
Capital element of lease rentals paid	(17,401)	(18,250)
Interest element of lease rentals paid	(804)	(1,525)
Interest paid for obligations under repurchase agreements	—	(24)
Interest paid for bank and other borrowings	(13,185)	(38,921)
Net repayment of bank and other borrowings	(354,365)	(83,183)
Payments on redemption of shares by other holders of a consolidated investment fund	(1,379)	—
Net repayment of obligations under repurchase agreements	—	(1,965)
Dividend paid to the equity shareholders of the company	—	(30,985)
<i>Net cash used in financing activities</i>	(387,134)	(174,853)
Net (decrease)/increase in cash and cash equivalents	(190,076)	113,872
Cash and cash equivalents at the beginning of the period	405,290	214,461
Effect of foreign exchange rate changes, on cash held	(1,519)	(149)
Cash and cash equivalents at the end of the period	213,695	328,184

Condensed Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company										
	Share capital	Share premium	Capital		Exchange reserve	Investment revaluation reserve	Property revaluation reserve	Shareholder's contribution	Shares held for Award Scheme	Retained profits	Total
			redemption reserve	Contributed surplus							
	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 2022	20,657	117,070	1,019	5,352,580	587	(19,929)	5,255	1,811	(22,798)	(1,859,457)	3,596,795
Net loss for the period	—	—	—	—	—	—	—	—	—	(245,591)	(245,591)
Other comprehensive income											
— Exchange loss on translation of financial statements of foreign operations	—	—	—	—	(1,438)	—	—	—	—	—	(1,438)
Total comprehensive income for the period	—	—	—	—	(1,438)	—	—	—	—	(245,591)	(247,029)
At 30 June 2022	20,657	117,070	1,019	5,352,580	(851)	(19,929)	5,255	1,811	(22,798)	(2,105,048)	3,349,766

Attributable to equity holders of the Company

	Share capital HK\$'000 (Unaudited)	Share premium HK\$'000 (Unaudited)	Capital redemption reserve HK\$'000 (Unaudited)	Contributed surplus HK\$'000 (Unaudited)	Exchange reserve HK\$'000 (Unaudited)	Investment revaluation reserve HK\$'000 (Unaudited)	Property revaluation reserve HK\$'000 (Unaudited)	Shareholder's contribution HK\$'000 (Unaudited)	Shares held for Share Award Scheme HK\$'000 (Unaudited)	Retained profits HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
At 1 January 2021	20,657	117,070	1,019	5,352,580	(393)	(16,089)	5,255	1,811	(22,798)	432,105	5,891,217
Dividend approved in respect of previous financial year	—	—	—	—	—	—	—	—	—	(30,985)	(30,985)
Transactions with equity holders	—	—	—	—	—	—	—	—	—	(30,985)	(30,985)
Profit for the period	—	—	—	—	—	—	—	—	—	13,901	13,901
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	—
— Exchange gain on translation of financial statements of foreign operations	—	—	—	—	546	—	—	—	—	—	546
Total comprehensive income for the period	—	—	—	—	546	—	—	—	—	13,901	14,447
At 30 June 2021	20,657	117,070	1,019	5,352,580	153	(16,089)	5,255	1,811	(22,798)	415,021	5,874,679

Notes to the Condensed Consolidated Interim Financial Statements

1. GENERAL INFORMATION

China Tonghai International Financial Limited 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.

The Group is principally engaged in the following activities:

- corporate finance advisory and general advisory services
- fund management, discretionary portfolio management and portfolio management advisory services
- discretionary and non-discretionary dealing services for securities, futures and options, securities placing and underwriting services, margin financing, insurance broking and wealth management services
- money lending services
- financial media services
- investing and trading of various investment products

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2022 (the "Interim Financial Statements") were authorised for issue by the Board on 30 August 2022. The 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 2021.

2. BASIS OF PREPARATION

The Interim Financial Statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and complies with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with applicable requirements of Appendix 16 to the Listing Rules.

3. PRINCIPAL ACCOUNTING POLICIES

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

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

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 corporate finance segment engages in securities placing and underwriting services, corporate finance advisory and general advisory services;
- (b) the asset management segment engages in fund management, discretionary portfolio management and portfolio management advisory services;
- (c) the brokerage segment engages in discretionary and non-discretionary dealing services for securities, futures and options, margin financing, insurance broking and wealth management services;
- (d) the interest income segment engages in money lending services and interest income arising from debt instruments measured at amortised cost;
- (e) the investments segment engages in investing and trading of various investment products; and
- (f) the others segment represents financial media services and other insignificant operating segments.

4. SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2022 (Unaudited)

	Corporate finance HK\$'000	Asset management HK\$'000	Brokerage HK\$'000	Interest income HK\$'000	Investments HK\$'000	Others HK\$'000	Total HK\$'000
Reportable segment revenue							
Fee and commission income	5,097	5,430	48,037	—	—	4,132	62,696
Interest income	—	—	68,988	147,708	—	—	216,696
Net investment loss	—	—	—	—	(252,474)	—	(252,474)
Segment revenue from external customers	5,097	5,430	117,025	147,708	(252,474)	4,132	26,918
Inter-segment revenue	3,000	1,878	—	—	—	464	5,342
Reportable segment revenue	8,097	7,308	117,025	147,708	(252,474)	4,596	32,260
Fee and commission income by timing of revenue recognition:							
Point in time	1,352	—	48,037	—	—	562	49,951
Over time	3,745	5,430	—	—	—	3,570	12,745
Fee and commission income	5,097	5,430	48,037	—	—	4,132	62,696
Reportable segment result	(4,835)	(1,166)	(17,208)	21,823	(253,055)	(3,088)	(257,529)

4. SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2021 (Unaudited)

	Corporate finance HK\$'000	Asset management HK\$'000	Brokerage HK\$'000	Interest income HK\$'000	Investments HK\$'000	Others HK\$'000	Total HK\$'000
Reportable segment revenue							
Fee and commission income	20,462	14,673	80,411	—	—	5,065	120,611
Interest income	—	—	82,785	204,276	23,873	—	310,934
Net investment gain	—	—	—	—	71,413	—	71,413
Segment revenue from external customers	20,462	14,673	163,196	204,276	95,286	5,065	502,958
Inter-segment revenue	1,050	2,617	261	—	—	916	4,844
Reportable segment revenue	21,512	17,290	163,457	204,276	95,286	5,981	507,802
Fee and commission income by timing of revenue recognition:							
Point in time	6,441	7,220	80,411	—	—	1,431	95,503
Over time	14,021	7,453	—	—	—	3,634	25,108
Fee and commission income	20,462	14,673	80,411	—	—	5,065	120,611
Reportable segment result	5,289	2,433	23,845	(71,963)	62,876	(3,011)	19,469

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

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

	Six months ended 30 June 2022 HK\$'000 (Unaudited)	Six months ended 30 June 2021 HK\$'000 (Unaudited)
Oceanwide Holdings International Development III Co., Ltd [^]	69,206	82,014

[^] Revenue from this customer, a connected party to our Company, is attributable to interest income segment.

5. REVENUE

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

6. OTHER INCOME

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

Note:

- (a) In 2022, the Group successfully obtained funding support from the Employment Support Scheme (E.S.S.) under the Anti-epidemic Fund, set up by the Hong Kong SAR Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the E.S.S., the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

7. (LOSS)/PROFIT BEFORE TAX

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

8. OTHER OPERATING EXPENSES

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

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

9. TAX (CREDIT)/EXPENSE

The provision for Hong Kong Profits Tax is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the six months ended 30 June 2022, except for a subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rate regime.

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2021.

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

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

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

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

	Six months ended 30 June 2022 (Unaudited)	Six months ended 30 June 2021 (Unaudited)
For purpose of calculating basic and diluted (loss)/earnings per share	6,145,877,218	6,145,877,218

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

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

	Six months ended 30 June 2022 HK cents (Unaudited)	Six months ended 30 June 2021 HK cents (Unaudited)
Basic and diluted	(3.996)	0.226

11. DIVIDENDS

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

12. FINANCIAL ASSETS HELD FOR TRADING

	Notes	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Financial assets held for trading measured at fair value through profit or loss			
Listed equity securities		398,525	400,204
Unlisted debt securities		17,250	—
Unlisted equity securities	(a)	453,415	451,795
Unlisted mutual funds	(b)	—	7,125
Private equity funds	(c)	91,871	249,970
		961,061	1,109,094
Analysis of the net amount into current and non-current portions:			
Current		897,843	1,026,012
Non-current		63,218	83,082
		961,061	1,109,094

12. FINANCIAL ASSETS HELD FOR TRADING (CONTINUED)

Notes:

- (a) The Group had entered into agreements for subscription of shares in two private entities in December 2017. Under the agreements, the Group subscribed 3,529,411 ordinary shares and 4,000,000 ordinary shares of the respective entities for a total consideration of approximately US\$60,000,000. Upon the completion of these shares subscriptions in January 2018, the Group's interests in each of these private entities are less than 1% respectively. One of the private entities was listed during the year ended 31 December 2019 and our interest was disposed during the six months ended 30 June 2021. As at 30 June 2022, the fair value of the unlisted equity securities of HK\$431,184,000 (31 December 2021: HK\$428,523,000) was pledged for a secured bank borrowing (note 23).
- (b) 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.

- (c) The Group had committed to invest US\$20 million in Oceanwide Pioneer Limited Partnership (the "Fund"), representing 25%* (31 December 2021: 25%*) of the aggregated capital committed by all partners in the Fund as at 30 June 2022. 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 2021: 25%*).

As at 30 June 2022, the fair value of the Fund was HK\$63,218,000 (31 December 2021: HK\$83,082,000).

* rounded to the nearest one percent

13. FINANCIAL ASSETS NOT HELD FOR TRADING

	Note	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Financial assets measured at amortised cost			
Unlisted debt securities	(a)	883,031	872,974
Less: ECL provisions		(643,184)	(605,362)
		239,847	267,612
Financial assets measured at fair value through other comprehensive income			
Unlisted equity securities		4,210	4,210
		244,057	271,822
Analysis of the net amount into current and non-current portions:			
Current		239,847	267,612
Non-current		4,210	4,210
		244,057	271,822

Note:

- (a) Unlisted debt securities of HK\$879,471,000 (31 December 2021: HK\$869,415,000) were issued by a fellow subsidiary and carry interest at 11.8% (31 December 2021: 11.8%) per annum. The carrying amount (net of ECL provisions) of the securities was HK\$239,847,000 (31 December 2021: HK\$267,612,000).

14. DERIVATIVE FINANCIAL INSTRUMENTS

	Note	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Financial assets measured at fair value through profit or loss			
Total return swap	(a)	38,491	17,267

Note:

- (a) As at 30 June 2022, total return swap of HK\$38,491,000 (31 December 2021: HK\$17,267,000) was entered into with a fellow subsidiary in June 2019.

15. LOANS TO MARGIN CLIENTS

		As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Loans to margin clients			
— Measured at fair value through profit or loss		997,299	1,382,977

Note:

Margin clients are required to pledge securities collateral to the Group in order to obtain the credit facilities for securities trading. The amount of credit facilities granted to them is determined based on a comprehensive analysis including but not limited to loan-to-market and loan-to-marginable value ratios ("lending ratios"), concentration risk, illiquid collaterals and overall availability of funds. The Group exercises continuous monitoring on outstanding margin loans to see if the actual lending ratios have exceeded the pre-determined levels as a credit risk control mechanism. Any excess in the lending ratios will trigger a margin call where the clients have to make good the shortfall. As at 30 June 2022, the market value of securities pledged by margin clients to the Group as collateral was HK\$7,080,081,000 (31 December 2021: HK\$9,570,398,000) and the Group is permitted to sell collaterals provided by clients if they fail to fulfil in margin calls. Loans to margin clients are repayable on demand and bear interest at commercial rates (normally at Hong Kong Dollar Prime Rate plus a spread). As at 30 June 2022, the margin loan shortfall in accounting terms amounts to HK\$287,960,000 (31 December 2021: HK\$118,613,000).

16. ADVANCES TO CUSTOMERS FOR CORPORATE ACTIONS

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

The whole balance is classified as current assets.

17. OTHER LOANS

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

17. OTHER LOANS (CONTINUED)

Notes:

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

18. REVERSE REPURCHASE AGREEMENTS

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

Reverse repurchase agreements are transactions in which the external investors sell a security to the Group and simultaneously agree to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is not exposed to substantially all the credit risks, market risks and rewards of those securities bought. These securities are not recognised in condensed consolidated financial statements but regarded as “collateral” because the external investors retain substantially all the risks and rewards of these securities.

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

19. ACCOUNTS RECEIVABLE

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

Notes:

- (a) Amounts due from brokers, clearing houses and cash clients for the dealings in securities are required to be settled on the settlement dates of their respective transactions (normally two or three business days after the respective trade dates). Amounts due from brokers and clearing houses for the dealings in futures and options contracts are repayable on demand (except for the required margin deposits for the trading of futures and options contracts). There are no credit periods granted to clients for its asset management, corporate finance and other businesses. The amounts due from cash clients after the settlement dates bear interest at commercial rates (normally at Hong Kong Dollar Prime Rate plus a higher spread than that of margin client).

19. ACCOUNTS RECEIVABLE (CONTINUED)

Notes: (Continued)

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

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

20. OTHER ASSETS

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

21. PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTY

	Property and equipment							Total
	Land and Buildings	Right-of-use assets	Leasehold improvements	Furniture, fixtures and equipment		Motor vehicle	Investment property	
				Sub-total				
HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	
Six months ended 30 June 2022								
Opening net carrying amount	9,333	43,935	5,701	13,503	252	72,724	—	72,724
Additions	—	—	33	392	—	425	—	425
Depreciation	(133)	(16,118)	(1,478)	(2,739)	(60)	(20,528)	—	(20,528)
Translation differences	—	(100)	(2)	(60)	—	(162)	—	(162)
Closing net carrying amount	9,200	27,717	4,254	11,096	192	52,459	—	52,459
Six months ended 30 June 2021								
Opening net carrying amount	—	75,263	7,298	16,187	372	99,120	9,600	108,720
Additions	—	1,661	149	1,307	—	3,117	—	3,117
Transfer (Note)	9,600	—	—	—	—	9,600	(9,600)	—
Depreciation	(133)	(17,780)	(1,485)	(2,789)	(60)	(22,247)	—	(22,247)
Translation differences	—	43	2	26	—	71	—	71
Closing net carrying amount	9,467	59,187	5,964	14,731	312	89,661	—	89,661

Note: Investment property with a carrying amount of HK\$9,600,000 was transferred to land and buildings during the six months ended 30 June 2021.

22. ACCOUNTS PAYABLE

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

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.

23. BANK AND OTHER BORROWINGS

	Notes	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Bank loans			
— Secured	(a), (b)	798,797	1,186,952
Other borrowings and private notes			
— Secured	(c), (d)	259,588	232,176
— Unsecured	(e)	100,630	83,726
		1,159,015	1,502,854

Notes:

- (a) Bank loans of HK\$423,814,000 (31 December 2021: HK\$779,578,000) were guaranteed by the Company and secured by securities collateral pledged to the Group by margin clients with market value of HK\$1,153,573,000 (31 December 2021: securities collateral pledged to the Group by margin clients and listed equity securities of the Group with market value of HK\$1,924,198,000 and HK\$33,057,000 respectively), and bear interest at floating rates ranging from 2.37% to 2.68% (31 December 2021: 1.70% to 2.30%) per annum. Specific written authorisations have been obtained by the Group from the margin clients for such use over the clients' securities.

23. BANK AND OTHER BORROWINGS (CONTINUED)

Notes: (Continued)

- (b) Bank loans of HK\$374,983,000 (31 December 2021: HK\$407,374,000) 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 unlisted equity securities, private equity fund and bank deposits held by the Group with total carrying amounts of HK\$494,415,000 as at 30 June 2022 (31 December 2021: corporate bonds, listed equity securities, private equity fund and bank deposits held by the Group with total carrying amounts of HK\$779,301,000), 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 a floating rate of 3.44% (31 December 2021: 3.16% to 3.44%) per annum.
- (c) The other borrowings and private notes of HK\$253,587,000 (31 December 2021: HK\$232,176,000) were secured by listed equity securities at carrying amounts of HK\$213,068,000 (31 December 2021: HK\$172,728,000) and bear interest at fixed rates ranging from of 4.00% to 5.00% (31 December 2021: 5.00%) per annum.
- (d) The other borrowings of HK\$6,001,000 (31 December 2021: Nil) were secured by land and building at carrying amounts of HK\$9,200,000 (31 December 2021: Nil) and bear interest at a floating rate of 7.62% (31 December 2021: Nil) per annum.
- (e) The other borrowings and private notes of HK\$100,630,000 (31 December 2021: HK\$83,726,000) bear interest at fixed rates ranging from 7.50% to 12.00% (31 December 2021: 7.50% to 9.50%) per annum.

24. SHARE CAPITAL

	Number of ordinary shares of HK one third of one cent each (Unaudited)	HK\$'000 (Unaudited)
<i>Authorised</i>		
At 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	30,000,000,000	100,000
<i>Issued and fully paid</i>		
At 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	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.

25. COMMITMENTS

Capital commitments

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

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Capital contributions payable to private equity funds	3,274	18
Property and equipment	2,014	2,014
	5,288	2,032

25. COMMITMENTS (CONTINUED)

Loan commitment

At the reporting date, the Group had the following contractual amounts of loan commitment:

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Other loan commitment (Note)	—	107,000

Note: As at 31 December 2021, the Group agreed to make available to the borrower secured loan facilities of a maximum amount up to HK\$107,000,000 for the purpose of financing its proposed general offer.

26. RELATED PARTY TRANSACTIONS

	Six months ended 30 June 2022 HK\$'000 (Unaudited)	Six months ended 30 June 2021 HK\$'000 (Unaudited)
Part I. Continuing connected transactions with China Oceanwide Group, Oceanwide Holdings Group and Tohigh Group (notes (a), (c))		
Income from service transactions provided to:		
China Oceanwide Group		
— Interest income from financial assistance	1,362	27,853
Oceanwide Holdings Group		
— Asset management fee income	273	329
— Interest income from financial assistance	69,205	81,984
— Performance fee income	—	6,814
Tohigh Group		
— Advisory fee income	3	979
— Asset management fee income	2,349	3,217
— Handling fee income	60	—
— Income from derivative financial instruments	1,794	1,794
— Interest income from financial assistance	24,403	56,484
— Interest income from margin financing	1,095	1,463
	100,544	180,917
Expenses for service transactions provided by:		
Oceanwide Holdings Group		
— Advisory fee expenses	4	185
— Interest expense from financial assistance	2,784	2,517
— Rebate of asset management fee income	83	248
— Research fee expense	—	105
Tohigh Group		
— Advertising and marketing expenses	—	2,900
— Advisory fee expenses	1,175	1,566
— Interest expense from financial assistance	—	80
	4,046	7,601

26. RELATED PARTY TRANSACTIONS (CONTINUED)

	Six months ended 30 June 2022 HK\$'000 (Unaudited)	Six months ended 30 June 2021 HK\$'000 (Unaudited)
Part II. Continuing connected transactions from brokerage and interest income business (notes (b), (c))		
Directors of the Company		
— Commission income from securities and futures dealings	11	107
— Interest income from margin financing	828	972
Close family members of directors of the Company		
— Commission income from securities and futures dealings	—	11
Directors of subsidiaries and their close family members and company owned by a director of subsidiary		
— Commission income from securities and futures dealings	5	27
— Interest income from margin financing	29	104
	873	1,221

26. RELATED PARTY TRANSACTIONS (CONTINUED)

	Six months ended 30 June 2022 HK\$'000 (Unaudited)	Six months ended 30 June 2021 HK\$'000 (Unaudited)
Part III. Other related party transactions (note (c))		
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	42	162
Associate		
— Advertising Income	—	5
Director of the Company		
— Asset management fee income	23	33
	65	200
Related companies — Companies in which Mr. LU Zhiqiang, the ultimate controlling shareholder of the Company, is also a director of its parent company		
— Custodian fee	139	105
— Interest expense	7,567	11,802
Intermediate holding company		
— Rental expenses	266	247
Fellow subsidiaries		
— Insurance expense	681	724
— Rental expenses	193	131
Director of the Company		
— Interest expense	61	12
Close family members of directors of the Company		
— Interest expense	—	3
Key management personnel		
— Interest expense	113	73
Associate		
— Articles fee	6	37
— Consultancy fee	450	600
— Repair and maintenance	—	100
	9,476	13,834

26. RELATED PARTY TRANSACTIONS (CONTINUED)

Notes:

- (a) The income and expense arising from connected transactions with China Oceanwide Group*, Oceanwide Holdings Group* and Tohigh Group* were charged based on the respective framework services agreement. Details of the annual caps of these income and expense and the maximum daily outstanding balances were set out in the Company's circulars dated 24 September 2019 and 28 January 2021. These transactions have been approved in the special general meeting held on 11 October 2019 and 26 February 2021.

* 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. Tohigh Group includes Tohigh Holdings Co., Ltd and its subsidiaries, which excludes China Oceanwide Group, Oceanwide Holdings Group and the Group. The definitions of China Oceanwide Group, Oceanwide Holdings Group and Tohigh Group were set out in the Company's circulars dated 24 September 2019 and 28 January 2021.

- (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 20 February 2019. These transactions have been approved in the special general meeting held on 8 March 2019.

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

Compensation of key management personnel

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

	Six months ended 30 June 2022 HK\$'000 (Unaudited)	Six months ended 30 June 2021 HK\$'000 (Unaudited)
Short-term employee benefits	17,841	12,208
Post-employment benefits	27	27
	17,868	12,235

Note: Key management personnel consists of the directors of the Company and senior management.

27. 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 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets and liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant 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.

27. 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 2022 (Unaudited)				
Financial assets held for trading				
— Listed equity securities (note (i))	398,521	4	—	398,525
— Unlisted debt securities (note (ii))	—	—	17,250	17,250
— Unlisted equity securities (note (iii))	—	—	453,415	453,415
— Private equity funds (note (v))	—	—	91,871	91,871
Derivative financial instruments (note (vi))	—	38,491	—	38,491
Loans to margin clients (note (vii))	—	997,299	—	997,299
Financial assets not held for trading				
— Unlisted equity securities (note (viii))	—	—	4,210	4,210
	398,521	1,035,794	566,746	2,001,061
Financial liabilities measured at fair value through profit or loss				
— Accruals and other payables (note (ix))	—	24,729	—	24,729
At 31 December 2021 (Audited)				
Financial assets held for trading				
— Listed equity securities (note (i))	400,200	4	—	400,204
— Unlisted equity securities (note (iii))	—	—	451,795	451,795
— Unlisted mutual funds (note (iv))	—	7,125	—	7,125
— Private equity funds (note (v))	—	141,807	108,163	249,970
Derivative financial instruments (note (vi))	—	17,267	—	17,267
Loans to margin clients (note (vii))	—	1,382,977	—	1,382,977
Financial assets not held for trading				
— Unlisted equity securities (note (viii))	—	—	4,210	4,210
	400,200	1,549,180	564,168	2,513,548
Financial liabilities measured at fair value through profit or loss				
— Accruals and other payables (note (ix))	—	27,958	—	27,958

27. FAIR VALUE MEASUREMENT (CONTINUED)

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

There was transfer from Level 2 to Level 1 because of the conversion of a private equity fund to certain listed equity securities during 2022, whereas there were no transfer into or out of Level 3 during the six months ended 30 June 2022. 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 2021. 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 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) As at 30 June 2022, the fair value of the unlisted debt securities in Level 3 has been determined by future discounted cash flow.
- (iii) The fair value of unlisted equity securities in Level 3 of HK\$431,184,000 (31 December 2021: HK\$428,523,000) and HK\$22,231,000 (31 December 2021: HK\$23,272,000) have been determined by option pricing model under equity allocation approach and recent transaction, respectively. The option pricing model under equity allocation approach is based on main inputs, such as 100% equity value of target company through a backsolve analysis, exercise values, expected volatility of 42.2% (31 December 2021: 42.2%), risk free rate of 1.3% (31 December 2021: 1.3%) and expected time to expiration.
- (iv) As at 31 December 2021, 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.
- (v) The fair value of the private equity funds in Level 3 of HK\$63,218,000 (31 December 2021: HK\$83,082,000) and HK\$27,987,000 (31 December 2021: HK\$25,081,000) have been determined with reference to the unadjusted net asset value of the fund and recent transaction with liquidity discount of 5% respectively. The fair value of the remaining private equity funds of HK\$666,000 (31 December 2021: Nil) has been determined with reference to the recent transaction.

As at 31 December 2021, the fair value in Level 2 of HK\$141,807,000 has been determined with reference to quoted price of underlying investments in active market with 5% blockage discount.
- (vi) As at 30 June 2022 and 31 December 2021, the total return swap derivative is derived from model using the stock price and historical volatility observable from market.

27. FAIR VALUE MEASUREMENT (CONTINUED)

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

Notes: (Continued)

- (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) The fair values of the unlisted equity securities of HK\$4,210,000 (31 December 2021: HK\$4,210,000) have been determined by using the adjusted net asset value with 10% discount.

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.

- (ix) The financial liabilities represent net asset value attributable to third party interest of the funds. The fair value has been determined by 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.

27. FAIR VALUE MEASUREMENT (CONTINUED)

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

Notes: (Continued)

- (x) 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 2022 HK\$'000 (Unaudited)	Six months ended 30 June 2021 HK\$'000 (Unaudited)
Financial assets held for trading		
At the beginning of the period	559,958	654,994
Purchases	665	16,829
Settlement	—	(392)
Net gain/(loss) recognised in profit or loss	1,913	(4,498)
	562,536	666,933
Financial assets not held for trading		
At the beginning of the period and the end of the period	4,210	8,050
Total unrealised gain/(loss) recognised in profit or loss for assets held at the end of the reporting period	1,913	(4,858)

27. 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 2022 and 31 December 2021.

MACRO ENVIRONMENT

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

HONG KONG STOCK MARKET

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

RESULTS AND OVERVIEW

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

BUSINESS REVIEW

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

FINANCIAL REVIEW

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

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

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

Corporate Finance Business

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

Asset Management Business

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

Brokerage Business

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

Interest Income Business

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

Investments and Others Business

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

Expenses

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

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

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

IMPAIRMENT LOSS

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

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

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

(1) Unsecured and unguaranteed other loans to connected parties

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

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

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

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

(2) Unsecured loans to independent third parties

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

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

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

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

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

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

(c) Reasons for the Impairment

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

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

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

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

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

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

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

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

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

MONEY LENDING

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PROSPECTS

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

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flow as well as through the utilisation of banking facilities and short-term loans and notes from independent third parties. From time to time, the Company may raise capital by issuing new shares or issuing debt instruments. The Group's cash level as at 30 June 2022 stood at around HK\$214 million (31 December 2021: HK\$405 million).

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

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

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

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

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

CHARGES ON THE GROUP'S ASSETS

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

EMPLOYEES AND REMUNERATION POLICIES

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

RISK MANAGEMENT

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

Credit Risk

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

Market Risk

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

Liquidity Risk

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

Operational Risk

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

Regulatory Compliance Risk

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

Additional Information

INTERIM DIVIDEND

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

DIRECTORS' INTERESTS

As at 30 June 2022, the interests and short positions of 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 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 pursuant to the Model Code were as follows:

I) Long Position in the Shares

Name of Director	Capacity	Number of Shares held	Number of underlying Shares held	Approximate percentage of shareholding in the Shares in issue (Note 1)
Mr. Kenneth LAM Kin Hing ("Mr. LAM")	Beneficial Owner	113,072,833	—	1.82%
	Interest of Controlled Corporation	—	4,098,510,000 (Note 2)	66.13%

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

(a) *Oceanwide Holdings*

Name of Director	Capacity	Number of shares in Oceanwide Holdings	Approximate percentage of shareholding in Oceanwide Holdings (Note 3)
Mr. HAN Xiaosheng	Beneficial owner	3,500,000	0.06%
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*

Name of Director	Capacity	Number of shares in China Oceanwide	Approximate percentage of shareholding in China Oceanwide (Note 3)
Mr. LIU Jipeng	Beneficial owner	9,212,000	0.05%

III) Interest in the debentures of an associated corporation of the Company

Name of Director	Name of associated corporation	Nature of interest	Amount of debenture
Mr. LAM	Oceanwide Holdings International Development III Co., Ltd.	Personal interest	US\$15,200,000 (Note 4)
	Well Foundation Company Limited	Personal interest	HK\$5,000,000 (Note 5)
	Oceanwide Holdings IF	Corporate Interest	HK\$784,378,183 (Note 2)

Notes:

- 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 2022.
- On 6 May 2022, Quam Tonghai Holdings Limited, entered into a deed of assignment, whereby Quam Tonghai Holdings Limited was assigned part of the rights, title and interest (other than any voting rights) in the secured and guaranteed notes issued by Oceanwide Holdings IF (the "Notes"), which is subordinated to the liabilities owing to the assignor under or in connection with the Notes, in the principal amount of HK\$784,378,183. The Notes is secured by, among others, 4,098,510,000 Shares. As at 30 June 2022, Quam Tonghai Holdings Limited is wholly-owned by Mr. LAM, the executive director of the Company.

On 5 July 2022, Mr. HAN Xiaosheng, the executive director of the Company, acquired 49% of the issued share capital in Quam Tonghai Holdings Limited from Mr. Lam.
- 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 2022.
- Mr. LAM had an interest in US\$15,200,000 of the US\$146,045,000 14.5% private notes due 2024 issued by Oceanwide Holdings International Development III Co., Ltd.
- Mr. LAM had an interest in HK\$5,000,000 of the 4% guaranteed notes due 10 September 2022 with total principal amount of HK\$21,000,000 issued by Well Foundation Company Limited.

On 10 August 2022, such notes were redeemed by Well Foundation Company Limited and the outstanding principal sum of such notes together with interests up to the maturity date were paid to noteholders (including Mr. LAM). Noteholders (including Mr. LAM) may be entitled to an additional cash return on the maturity date of the notes, being 10 September 2022. Further details of the additional cash return were set out in the announcement of the Company dated 11 March 2022.

Save as disclosed above, as at 30 June 2022, 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 2022, 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, were as follows:

Long Position in the Shares

Name of holder of Shares/ underlying Shares	Capacity	Number of Shares and underlying Shares held	Approximate percentage of total interests in the Shares in issue (Note 13)
Mr. LU Zhiqiang ("Mr. LU")	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 IF	Beneficial owner	4,493,764,732 (Note 5)	72.51%

Name of holder of Shares/ underlying Shares	Capacity	Number of Shares and underlying Shares held	Approximate percentage of total interests in the Shares in issue (Note 13)
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 (now known as "Spring Progress Investment Solutions Limited")	Security interest in Shares	4,100,000,000 (Note 9)	66.16%
Mr. TSUI Chi Chiu	Joint and several receivers	4,098,510,000 (Note 10)	66.13%
Ms. SO Kit Yee Anita	Joint and several receivers	4,098,510,000 (Note 10)	66.13%
Quam Tonghai Holdings Limited	Security interest in Shares	4,098,510,000 (Note 11)	66.13%

Notes:

1. Mr. LU 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 is 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 63.54% 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. The Company was informed by Oceanwide Holdings IF that, as at 30 June 2022, a total of 1,490,000 Shares were sold in the open market, as a result of which the number of Shares it held was reduced from 4,495,254,732 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 (now known as "Spring Progress 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 2022) to Haitong International Investment Solutions Limited.
 10. On 20 October 2021, Mr. TSUI Chi Chiu and Ms. SO Kit Yee Anita were appointed as joint and several receivers over 4,098,510,000 Shares held by Oceanwide Holdings IF pursuant to the security deed dated 3 December 2018 entered into between Oceanwide Holdings IF as chargor and Spring Progress Investment Solutions Limited (previously known as "Haitong International Investment Solutions Limited") as chargee (the "Appointer") relating to a subscription agreement (as amended and extended thereafter from time to time) entered into between the Appointer as the noteholder and Oceanwide Holdings IF as issuer dated 3 December 2018 for the subscription of the notes issued by Oceanwide Holdings IF and the note instrument executed by Oceanwide Holdings IF dated 4 December 2018. Details were set out in the announcement of the Company dated 27 October 2021.
 11. On 6 May 2022, Quam Tonghai Holdings Limited entered into a deed of assignment, whereby Quam Tonghai Holdings Limited was assigned part of the rights, title and interest (other than any voting rights) in the secured and guaranteed notes issued by Oceanwide Holdings IF (the "Notes"), which is subordinated to the liabilities owing to the assignor under or in connection with the Notes. The Notes is secured by, among others, 4,098,510,000 Shares. As at 30 June 2022, Quam Tonghai Holdings Limited is wholly-owned by Mr. LAM, the executive director of the Company.
- On 5 July 2022, Mr. HAN Xiaosheng, the executive director of the Company, acquired 49% of the issued share capital in Quam Tonghai Holdings Limited from Mr. Lam.

12. The following entities, namely Tise' 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, Tise' 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 2022, as far as the Directors were aware, CMBCI and the Co-Investors had ceased to have any interests in the Shares.

13. 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 2022.

Save as disclosed above, as at 30 June 2022, 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. The Share Award Scheme had been renewed for five years 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 2022, a total of 51,172,002 Awarded Shares are now held by the trustee under the Restricted Shares Award Scheme Trust which is available for allocation. No Awarded Share has been granted during the six months ended 30 June 2022. The Share Award Scheme should be retained until expiry of trust period or until informed by the Company.

SHARE OPTION SCHEME

The Company adopted an employee share option scheme on 23 September 2020 (the "Share Option Scheme"). A summary of the principal terms of the Share Option Scheme is given below:

- I) Purpose : The purpose of the Share Option Scheme is to provide incentives or rewards to eligible participants for their contribution or would-be contribution to the Group to obtain an equity interest in the Company and to attract potential candidates to serve the Group for the benefit of the development of the Group.

- II) Participants : Eligible participants of the Share Option Scheme include all directors (whether executive or non-executive and whether independent or not), any employee (whether full-time or part-time), any consultant or adviser of or to the Company or the Group (whether on an employment or contractual or honorary basis and whether paid or unpaid), shareholders of the Company and any member of the Group, who, in the absolute opinion of the Board, have contributed or will contribute to the Company or the Group.

- III) Total number of shares available for issue under the scheme and percentage of issued share capital as at 30 August 2022 : The number of shares available for issue under the Share Option Scheme was 619,704,922 shares, representing 10% of the issued share capital as at 30 August 2022.
- IV) Maximum entitlement of each participant : The maximum number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme to each participant in any 12-month period up to and including the date of grant of the options shall not exceed 1% of the total number of shares in issue unless it is approved by Shareholders in general meeting of the Company, at which such participant and his close associates (or his associates if the participant is a connected person) shall abstain from voting.
- Any share options propose to grant to a substantial Shareholder or an independent non-executive Director or to any of their respective associates, in the 12-month period up to and including the date of the grant representing in aggregate over 0.1% of the Shares in issue and having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million, are subject to approval by Shareholders in general meeting of the Company.
- V) The period within which the shares must be taken up under an option : The period within which the options must be exercised will be specified by the Company at the time of grant. This period shall not more than 10 years from the relevant date of grant of the options.
- VI) The minimum period for which an option must be held before it can be exercised : The Company may specify any minimum period(s) for which an option must be held before it can be exercised at the time of grant of the options. The Share Option Scheme does not contain any such minimum period.

- VII) The amount payable upon acceptance of the option : HK\$10 is payable by each eligible participant as consideration for the grant of an option on acceptance of options within 21 days from the date of offer of the options.
- VIII) The basis of determining the subscription price : The subscription price must be at least the higher of:
- (i) the closing price of share as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a business day;
 - (ii) the average closing prices of the shares as stated in the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of offer; and
 - (iii) the nominal value of a share.
- IX) The remaining life of the scheme : The Share Option Scheme shall be valid and effective until the close of business of the Company on the date which falls 10 years after the adoption date.

No share option has been granted since the adoption of the Share Option Scheme. Therefore, there was no share option outstanding as at 30 June 2022 and no share option lapsed or was exercised or cancelled during the six months ended 30 June 2022.

Save as disclosed above, at no time during the six months ended 30 June 2022 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 2022, the following advances (loans and notes) were outstanding:

Items	Transactions	Amortised cost		Fair value	
		Principal amounts	Net Carrying amounts (Note 1)	Principal amounts	Net Carrying amounts (Note 2)
1	on 31 March 2021, China Tonghai Finance 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 2022.	HK\$3 million	HK\$1 million (Note 1a)	—	—
2	on 31 March 2021, China Tonghai Finance 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 2022.	HK\$5 million	HK\$2 million (Note 1a)	—	—
3	on 31 March 2021, China Tonghai Finance 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 2022.	HK\$8 million	HK\$3 million (Note 1a)	—	—
4	on 31 March 2021, China Tonghai Finance extended a term loan of HK\$28 million with an interest rate of 12% per annum and with a maturity date of 31 March 2022.	HK\$28 million	HK\$10 million (Note 1a)	—	—
5	on 21 December 2020, China Tonghai Finance extended a term loan in the amount of HK\$280 million with an interest rate of 12% per annum and with a maturity date of 31 December 2021.	HK\$280 million	HK\$97 million (Note 1a)	—	—

Items	Transactions	Amortised cost		Fair value	
		Principal amounts	Net Carrying amounts (Note 1)	Principal amounts	Net Carrying amounts (Note 2)
6	on 31 December 2020, China Tonghai Finance extended a term loan of HK\$156 million with an interest rate of 12% per annum and with a maturity date of 31 December 2021.	HK\$156 million	HK\$54 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”), 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 to Minyun with an interest rate of 7.875% per annum and with a maturity date of 31 January 2022.	HK\$64.5 million	HK\$21 million (Note 1a)	—	—
2	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\$5million (Note 2a)

Items	Transactions	Amortised cost		Fair value	
		Principal amounts	Net Carrying amounts (Note 1)	Principal amounts	Net Carrying amounts (Note 2)
3	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\$24 million (Note 2a)
4	on 31 March 2021, China Tonghai Finance extended a term loan of HK\$3 million with an interest rate of 12% per annum to COII and with maturity date of 31 March 2022.	HK\$3 million	HK\$1 million (Note 1a)	—	—
5	on 30 June 2021, China Tonghai Finance extended the consolidated term loans in an aggregate amount of approximately HK\$141,240,822 with an interest rate of 12% per annum to COII and with a maturity date of 30 June 2022.	HK\$141 million	HK\$48 million (Note 1a)	—	—
6	on 30 June 2021, China Tonghai Finance extended a term loan of HK\$12 million with an interest rate of 12% per annum to COII and with a maturity date of 30 June 2022.	HK\$12 million	HK\$4 million (Note 1a)	—	—

Items	Transactions	Amortised cost		Fair value	
		Principal amounts	Net Carrying amounts (Note 1)	Principal amounts	Net Carrying amounts (Note 2)
7	on 28 March 2022, China Tonghai Finance extended a term loan of HK\$10 million with an adjusted interest rate of 10% per annum to COII and with maturity date of 31 December 2022.	HK\$10 million	HK\$2 million (Note 1a)	—	—
8	on 28 March 2022, China Tonghai Finance extended a term loan of HK\$45 million with an adjusted interest rate of 10% per annum to COII and with maturity date of 31 December 2022.	HK\$45 million	HK\$10 million (Note 1a)	—	—
9	on 28 March 2022, China Tonghai Finance extended a term loan of HK\$12.5 million with an adjusted interest rate of 10% per annum to COII and with maturity date of 31 December 2022.	HK\$12.5 million	HK\$3 million (Note 1a)	—	—
10	on 28 January 2021, China Tonghai Finance extended a term loan in the aggregate amount of HK\$678 million with an adjusted interest rate of 10.5% per annum to COII and with a maturity date of 28 January 2022.	HK\$678 million	HK\$208 million (Note 1a)	—	—
11	On 1 March 2021, China Tonghai Finance provided a term loan of HK\$200 million with an interest rate of 10.5% per annum to COII and with maturity date of 31 March 2022.	HK\$200 million	HK\$65 million (Note 1a)	—	—

Items	Transactions	Amortised cost		Fair value	
		Principal amounts	Net Carrying amounts (Note 1)	Principal amounts	Net Carrying amounts (Note 2)

The following term loans 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 1 April 2021, China Tonghai Finance extended the consolidated term loans in an aggregate amount of approximately HK\$391 million with an interest rate of 12% per annum and with a maturity date of 31 March 2022.	HK\$391 million	HK\$118 million (Note 1a)	—	—
2	on 26 April 2022, 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\$709.6 million) with coupon interest rate of 11.8% per annum, payable semi-annually and with a maturity date of 25 April 2023.	HK\$709.6 million	HK\$211 million (Note 1b)	—	—
3	on 2 June 2021, 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 11.8% per annum and with a maturity date of 1 June 2022.	HK\$93.6 million	HK\$29 million (Note 1b)	—	—

Items	Transactions	Amortised cost		Fair value	
		Principal amounts	Net Carrying amounts (Note 1)	Principal amounts	Net Carrying amounts (Note 2)
4	on 30 June 2021, China Tonghai Finance extended a term loan of HK\$45 million with an interest rate of 11% per annum and with a maturity date of 30 June 2022.	HK\$45 million	HK\$15 million (Note 1a)	—	—
5	on 30 June 2021, 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 2022.	HK\$27.5 million	HK\$9 million (Note 1a)	—	—
6	on 31 December 2020, China Tonghai Finance extended a term loan of HK\$27.5 million with an interest rate of 12% per annum and with maturity date of 31 December 2021.	HK\$27.5 million	HK\$8 million (Note 1a)	—	—
7	on 4 March 2021, China Tonghai Finance provided a term loan of HK\$180 million with an interest rate of 12% per annum and with maturity date of 31 March 2022.	HK\$180 million	HK\$55 million (Note 1a)	—	—
8	on 22 March 2021, China Tonghai Finance provided a term loan of HK\$20 million with an interest rate of 12% per annum and with maturity date of 31 March 2022.	HK\$20 million	HK\$6 million (Note 1a)	—	—
	Total	HK\$3,140.2 million	HK\$980 million	HK\$43 million	HK\$29 million

Notes:

- 1a. As at 30 June 2022, approximately HK\$740 million forms part of the HK\$1,670 million total for current portion of other loans (note 17) in the condensed consolidated statement of financial position.
- 1b. As at 30 June 2022, HK\$240 million forms part of the HK\$240 million total for current portion of financial assets not held for trading (note 13) in the condensed consolidated statement of financial position.
- 2a. As at 30 June 2022, HK\$29 million forms part of the HK\$997 million total for current portion of loans to margin clients (note 15) in the condensed consolidated statement of financial position.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

1. On 31 December 2021, the Company as borrower entered into a deed of amendment with a licensed bank in Hong Kong as lender (the "Banking Facility Arrangement") to extend the banking facility with the existing principal amount of HK\$410,000,000 (the "Extended Banking Facility") for one year from 31 December 2021. Pursuant to the Banking Facility Arrangement, Oceanwide Holdings IF and Oceanwide Holdings International Co., Ltd., being the immediate controlling shareholders of the Company and China Oceanwide, still charged 395,254,732 shares of the Company and 3,095,818,070 shares of China Oceanwide respectively, which represents 6.38% of the total issued shares of the Company and 19.18% of total issued shares of China Oceanwide (as of the date of this interim report), respectively, in favour of the licensed bank.

Pursuant to the 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. Upon the breach of this condition, the Extended Banking Facility will immediately and automatically be cancelled and all outstanding principal, together with accrued interest, and all other amounts accrued under the Banking Facility Arrangement, become immediately due and payable.

- 2) On 1 December 2020, an indirect wholly-owned subsidiary of the Company as borrower entered into and accepted a supplemental facility letter with a licensed bank in Hong Kong to extend the revolving loan facility in the principal amount of up to HK\$200 million (the "Extended December Banking Facility") up to and including 31 July 2021 or such later date as the said licensed bank may agree. Pursuant to the Extended December Banking Facility, 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 bank may declare that any outstanding amount due and owing under the Extended December Banking Facility shall become immediately due and payable by the borrower.

As at the date of this interim report, Mr. LU, through his controlled corporation, beneficially own approximately 72.51% of the issued Shares.

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

Changes of information of the Directors since the date of 2021 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. HAN Xiaosheng	Ceased to be a director of Oceanwide Group Co., Ltd* (泛海集團有限公司) in June 2022
Mr. FANG Zhou	Ceased to be vice chairman and president of Oceanwide Holdings in July 2022
Mr. KONG Aiguo	Appointed as independent director of Oceanwide Holdings in April 2022 Ceased to be an independent director of Geron Co., Ltd.* (金輪藍海股份有限公司) (now known as Wuchan Zhongda Geron Co., Ltd.* (物產中大金輪藍海股份有限公司)), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 002722), in July 2022
Mr. LIU Jipeng	Ceased to be an independent director of Chongqing Changan Automobile Co., Ltd.* (重慶長安汽車股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000625), in May 2022

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code. 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 2022.

CORPORATE GOVERNANCE PRACTICES

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

AUDIT COMMITTEE REVIEW

The audit committee of the Company comprises one non-executive Director and five independent non-executive Directors. The audit committee has reviewed the unaudited condensed consolidated financial results of the Company for the six months ended 30 June 2022 and discussed with the management of the Company the accounting principles and practices adopted by the Group, internal control and financial reporting matters.

On behalf of the Board

China Tonghai International Financial Limited

HAN Xiaosheng

Chairman

Hong Kong, 30 August 2022

BOARD OF DIRECTORS

Mr. HAN Xiaosheng (Chairman)
Mr. FANG Zhou (Deputy Chairman)
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. FANG Zhou
Vice-Chairman: Mr. Kenneth LAM Kin Hing
Members: Mr. HAN Xiaosheng
Mr. LIU Hongwei

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Chairman: Mr. HAN Xiaosheng
Members: Mr. Kenneth LAM Kin Hing
Mr. Roy LO Wa Kei
Mr. KONG Aiguo
Mr. LIU Jipeng
Mr. HE Xuehui

COMPANY SECRETARY

Ms. Hortense CHEUNG Ho Sze

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITOR

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
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

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

STOCK CODE

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Definitions

“Board”	means	the board of Directors
“China Oceanwide”	means	China Oceanwide Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 715)
“Company”	means	China Tonghai International Financial Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (Stock code: 952)
“Director(s)”	means	the director(s) of the Company
“Group”	means	the Company and its subsidiaries
“HK\$”	means	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	means	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	means	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	means	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Oceanwide Holdings”	means	Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司), a joint stock company incorporated in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 000046)
“Oceanwide Holdings IF”	means	Oceanwide Holdings International Financial Development Co., Ltd., a company incorporated in the British Virgin Islands with limited liability
“PRC”	means	the People’s Republic of China, which for the purpose of this interim report, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“SFO”	means	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	means	ordinary share(s) of Hong Kong one third of one cent each in the share capital of the Company
“Shareholder(s)”	means	holder(s) of the Shares
“Stock Exchange”	means	The Stock Exchange of Hong Kong Limited
“%”	means	per cent.

For the purpose of this interim report, unless otherwise specified or the context requires otherwise, “” denotes an English translations of a Chinese name and is for identification purposes only. In the event of any inconsistency, the Chinese names shall prevail.*