

Oceanwide Financial (952.HK) Announces 2017 Financial Results

Turned profit from a previously loss-making situation and reported an after tax profit of approximately HK\$43.29 million;

Average monthly revenue growth was about 34%

FINANCIAL AND BUSINESS SUMMARY :

From 1 April 2017 to 31 December 2017

- The revenue of the Group has increased from HK\$350 million in the Last Year to HK\$352 million in the Current Year, which represents an average monthly revenue growth of 34%.
- The Group turned profit from a previously loss-making situation and reported an after tax profit of approximately HK\$43.29 million (Year ended 31 March 2017: loss of HK\$57.95 million).
- In Current Year, the Group marked a new era after the acquisition by Oceanwide Holdings Co., Ltd, the change of company name and the subsequent HK\$5.1 billion rights issue in August 2017.
- The Group changed its financial year end from March to December and this financial year covers a period of only nine months.
- In Current Year, the Group expanded its business rapidly by taking the following approaches: to increase our margin loan portfolio significantly, to utilise our capital to support our European public fund, to invest in self-managed private equity fund, to obtain stable income by investing in corporate bonds, to diversify our loan portfolio by tapping into structured finance loan, to utilise our capital to support our DCM business and to capture short-term equity market opportunities by investing in IPOs, etc.



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(28 March 2018-Hong Kong) China Oceanwide International Financial Limited (“Oceanwide Financial”, or the “Group”, Stock Code : 952.HK) is pleased to announce that for the period from 1 April 2017 to 31 December 2017 (the “Current Year”), the Group turned profit from a previously loss-making situation and reported an after tax profit of approximately HK\$43.29 million (Year ended 31 March 2017: loss of HK\$57.95 million). As this is the first annual report since our change of financial year end date from March to December, the comparative figures in the consolidated statement of comprehensive income show 12-month period from 1 April 2016 to 31 March 2017 (the “Last Year”), whereas the Current Year covers a 9-month period. The revenue of the Group has increased from HK\$350 million in the Last Year to HK\$352 million in the Current Year, which represents an average monthly revenue growth of 34%.

Brokerage business

Total revenue of HK\$174 million from brokerage business was recorded in the Current Year, as compared to HK\$203 million in the Last Year, representing an average monthly revenue growth of around 14%.

Commission on dealing in securities of HK\$61 million was recorded in the Current Year as compared to HK\$53 million in the Last Year. The increase is mainly due to a significant increase in our market share of secondary market trade in Hong Kong as well as increase in the daily market turnover of The Stock Exchange of Hong Kong Limited. Commission on dealing in futures and options contracts of HK\$98 million was recorded in the Current Year as compared to HK\$136 million in the Last Year. The drop is mainly due to a decline in the number of transactions conducted by our clients.

Interest Income business

Total revenue of HK\$93 million from interest income business was recorded in the Current Year, as compared to HK\$55 million in the Last Year, representing an average monthly



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revenue growth of around 125%.

Interest income of HK\$57 million from loans to margin clients was recorded in the Current Year as compared to HK\$49 million in the Last Year, mainly due to the increase in average loan balance. The Group had about HK\$2.12 billion of margin loans outstanding (settlement date basis) as at 31 December 2017. Interest income of around HK\$10 million from banks and other financial institutions was recorded in the Current Year as compared to HK\$5 million in the Last Year. Such increase is mainly due to higher bank balance arising from the significant rights issue proceeds from August 2017. Interest income from other loans and receivables was HK\$20 million in the Current Year as compared to HK\$1 million in the Last Year. The increase arises mainly in our HK\$500 million participation in the Huge Group syndicated loan in August 2017. The Group had about HK\$1.23 billion (current: HK\$772 million; non current: HK\$458 million) loan receivables outstanding as at 31 December 2017. Interest income of HK\$7 million from corporate bonds was recorded in the Current Year as compared to nil in the Last Year. The increase is mainly due to our strategic utilisation of capital in achieving stable income through purchase of corporate bonds, e.g. the acquisition of US\$120 million corporate bond from a subsidiary of Oceanwide Holdings Co., Ltd in November 2017, which has been grouped under financial asset at fair value through profit or loss in the consolidated statement of financial position.

Corporate Finance business

Total revenue of HK\$49 million from corporate finance business was recorded in the Current Year, as compared to HK\$50 million in the Last Year, representing an average monthly growth of around 31%.

Commission income (from placing, underwriting and sub-underwriting deals) was HK\$3 million in the Current Year as compared to HK\$28 million in the Last Year. Fee income (from sponsorship, financial advisory, compliance advisory engagements) was around



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HK\$46 million in the Current Year as compared to HK\$22 million in the Last Year. A total of 32 (Last Year: 39) mandates were signed, 14 (Last Year: 20) were placing, underwriting and sub-underwriting transactions, 3 (Last Year: 2) were IPO sponsorships, 13 (Last Year: 14) were financial advisory transactions and 2 (Last Year: 3) were other mandates.

Asset Management business

Total revenue of HK\$20 million from asset management business was recorded in the Current Year, as compared to HK\$16 million in the Last Year, representing an average monthly growth of around 67%.

The increase is mainly arising from the increase of performance fee out of our delivery of good investment return on Oceanwide China Focus Segregated Portfolio (OCF) and discretionary accounts. Our asset management business now mainly includes managing OCF, a private fund registered in Cayman Islands, Oceanwide Greater China UCITS Fund (UCITS), a European public fund registered in Luxembourg, a private equity fund called Oceanwide Pioneer Limited Partnership and various discretionary accounts. Our assets under management was US\$171 million as at 31 December 2017, which represents a rise of 60% from US\$107 million as at 31 March 2017.

Investment and other business

Total revenue of HK\$16 million from investment and other business was recorded in the Current Year, as compared to HK\$26 million in the Last Year, representing an average monthly decline of around 18%. The decrease is mainly due to short-term stock market fluctuation in December 2017 which adversely affected our investment in seed funding in both OCF and UCITS. Financial media service fee income was around HK\$9 million in the Current Year as compared to HK\$14 million in the Last Year.

Prospects

Given China's promotion of the Road and Belt Initiative, the expected expansion of the

scope of eligible securities under the mutual market access scheme and the upcoming regime reform of the Hong Kong stock market in the coming year, the Group is confident with business development in the future and will take advantage of a much larger share capital and adopt capital-based intermediary approach. The Group will utilise the capital to support and develop the fee-based businesses such as asset management, DCM, ECM and structured finance. Oceanwide Financial aims to increase the revenue from corporate finance, asset management and investment and other businesses and to reduce the reliance on brokerage and interest income businesses. With the rapid growth in share capital, Oceanwide Financial will find means to deliver a decent return on equity to our shareholders. An appropriate level of leverage is healthy and the Group will increase borrowings to enhance equity return. If opportunities arise, Oceanwide Financial may enter into M&A activities swiftly to bring in return in addition to organic growth as well as possible regional presences. The Group will be continuously improving the risk control mechanism on their investments which are expected to be more diversified in the near future. The Group will continue to expand its securities brokerage business and increase its market share in secondary market trading as well as the size of margin loan book. To achieve all these, recruitment and retention of high calibre staff are essential. The Group will improve staff benefits including but not limited to the adoption of stock option plan and share award schemes at the right timing.

Oceanwide Financial understands shareholders are concerned about the share price performance. The Group will strive to deliver good results and to enhance the investor relations in a bid to let the market better appreciate the value of the Group.

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For Investors Inquiries

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