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華融國際金融控股有限公司

HUARONG INTERNATIONAL FINANCIAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 993)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the “**Board**”) of directors (the “**Directors**”) of Huarong International Financial Holdings Limited (the “**Company**”) is pleased to present to its shareholders (the “**Shareholders**”) the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”), which is extracted from the consolidated financial statements for the year ended 31 December 2021 (the “**Year**”), together with the comparative figures for the year ended 31 December 2020 (the “**Last Year**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue			
Commission and fee income	5	33,052	27,974
Interest income	5		
Interest income calculated using the effective interest method		294,050	516,992
Others		155,423	251,838
Investment income	5	4,067	44,204
		486,592	841,008

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Net loss on financial assets at fair value through profit or loss		(417,698)	(312,516)
Net gain/(loss) arising from disposal of financial assets at fair value through other comprehensive income		2,530	(14,184)
Other income and gains or losses, net		22,306	(4,209)
Brokerage and commission expenses		(11,841)	(14,844)
Administrative and other operating expenses		(236,888)	(263,934)
Impairment losses, net		(885,232)	(2,207,772)
Finance costs	6	(482,562)	(687,714)
Loss on disposal of subsidiaries		(26,729)	–
Loss before tax	7	(1,549,522)	(2,664,165)
Income tax expense	8	(52,770)	(22,075)
Loss for the year		<u>(1,602,292)</u>	<u>(2,686,240)</u>
Attributable to:			
Equity holders of the Company		(1,823,044)	(2,786,174)
Holders of perpetual capital securities		157,324	111,403
Non-controlling interests		63,428	(11,469)
		<u>(1,602,292)</u>	<u>(2,686,240)</u>
Basic loss per share attributable to ordinary equity holders of the Company			
– For loss for the year	9	<u>HK20.9 cents</u>	<u>HK42.5 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss for the year	<u>(1,602,292)</u>	<u>(2,686,240)</u>
Other comprehensive income		
Other comprehensive income that may be reclassified to profit or loss in subsequently periods:		
Fair value loss on financial assets at fair value through other comprehensive income	(58,988)	(76,476)
Net provision for impairment of financial assets at fair value through other comprehensive income included in profit or loss	186,727	102,084
Reclassification adjustments relating to disposal of financial assets at fair value through other comprehensive income during the year	(2,530)	14,184
Exchange differences on translation of foreign operations	<u>(887)</u>	<u>(20,883)</u>
Other comprehensive income for the year, net of tax	<u>124,322</u>	<u>18,909</u>
Total comprehensive loss for the year	<u><u>(1,477,970)</u></u>	<u><u>(2,667,331)</u></u>
Attributable to:		
Equity holders of the Company	(1,698,722)	(2,757,884)
Holders of perpetual capital securities	157,324	111,403
Non-controlling interest	<u>63,428</u>	<u>(20,850)</u>
	<u><u>(1,477,970)</u></u>	<u><u>(2,667,331)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		31 December	31 December
		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		13,101	24,369
Other long term assets		4,498	5,081
Intangible assets		2,350	4,190
Right-of-use assets		79,711	128,836
Financial assets at fair value through profit or loss	10	1,283,142	1,789,810
Financial assets at fair value through other comprehensive income	11	282,549	1,591,337
Finance lease receivables	12	40,525	463,933
Other loans and debt instruments	13	815,049	1,313,915
Deferred tax assets		–	52,232
Prepayments, deposits and other receivables		21,728	20,937
		<hr/>	<hr/>
Total non-current assets		2,542,653	5,394,640
		<hr/> <hr/>	<hr/> <hr/>
CURRENT ASSETS			
Advances to customers in margin financing	14	43,738	90,183
Accounts receivable	15	820,087	164,884
Prepayments, deposits and other receivables		357,817	145,658
Financial assets at fair value through profit or loss	10	2,031,528	3,715,676
Financial assets at fair value through other comprehensive income	11	135,177	960,124
Finance lease receivables	12	802,332	531,634
Other loans and debt instruments	13	327,874	1,796,813
Amounts due from related parties		4,539	3,825
Tax recoverable		56,655	61,245
Restricted bank balances		215,590	380,295
Deposits in other financial institutions		14,457	16,921
Pledged bank deposit		–	13,000
Cash and cash equivalents		1,852,784	1,720,306
		<hr/>	<hr/>
Total current assets		6,662,578	9,600,564
		<hr/> <hr/>	<hr/> <hr/>

		31 December	31 December
		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CURRENT LIABILITIES			
Accounts payable	16	224,432	616,572
Other liabilities, payables and accruals		310,452	708,834
Interest-bearing borrowings		2,486,097	3,920,973
Repurchase agreements		474,139	1,252,605
Amounts due to related parties		56,034	59,341
Tax payable		77,930	94,943
Lease liabilities		58,331	55,593
Financial liabilities at fair value through profit or loss	10	55,088	53,282
Total current liabilities		<u>3,742,503</u>	<u>6,762,143</u>
NET CURRENT ASSETS		<u>2,920,075</u>	<u>2,838,421</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,462,728</u>	<u>8,233,061</u>
NON-CURRENT LIABILITIES			
Other liabilities, payables and accruals		1,416	18,204
Deferred tax liabilities		–	2,093
Interest-bearing borrowings		5,927,609	6,745,326
Lease liabilities		29,697	86,262
Total non-current liabilities		<u>5,958,722</u>	<u>6,851,885</u>
Net (liabilities)/assets		<u>(495,994)</u>	<u>1,381,176</u>
EQUITY			
Share capital		8,710	8,710
Share premium and reserves		(4,537,514)	(2,838,792)
Equity attributable to owners of the Company		(4,528,804)	(2,830,082)
Perpetual capital securities classified as equity instruments		2,755,781	2,755,872
Non-controlling interests		1,277,029	1,455,386
Total equity		<u>(495,994)</u>	<u>1,381,176</u>

NOTES:

1. CORPORATE AND GROUP INFORMATION

Huarong International Financial Holdings Limited is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The principal activity of the Company is investment holding. The Group is principally engaged in the brokerage and dealing of securities, futures and options contracts, margin financing, loan financing, financial advisory, direct investments, investment holding, provision of advising on corporate finance services and provision of management and consultancy services. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of operations of the Company is situated at Unit A, 16/F & Unit A, 17/F, Two Pacific Place, 88 Queensway, Hong Kong. The intermediate controlling shareholder of the Company is China Huarong International Holdings Limited (“**CHIH**”) that is incorporated in Hong Kong through Camellia Pacific Investment Holding Limited and Right Select International Limited, both of which are incorporated in the British Virgin Islands and wholly-owned subsidiaries of CHIH. China Huarong Asset Management Co., Ltd. (“**China Huarong**”), a company established in the PRC and whose shares are listed on the Stock Exchange, became the ultimate holding company since 2015. China Huarong is currently directly owned by the Ministry of Finance (the “**MOF**”) and CITIC Group with a total equity interest of approximately 27.76% and 23.46% respectively.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all applicable HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets and financial liabilities at fair value through profit or loss (“**FVTPL**”) (including derivative financial instruments), and financial assets at fair value through other comprehensive income (“**FVTOCI**”), which are measured at fair value, as explained in the accounting policies set out below.

These financial statements are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern basis

As at 31 December 2021, the Group had net liabilities of HK\$496 million (31 December 2020: net assets of HK\$1,381 million) and incurred a loss of HK\$1,602 million (2020: net loss of HK\$2,686 million) for the year then ended.

In view of above circumstances, the directors have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. In order to improve the Group’s liquidity and cash flows to sustain the Group as a going concern, the Group has implemented or is in the process of implementing the following measures:

(i) Continuous securing of certain bank borrowings

Subsequent to 31 December 2021, the Group communicated and confirmed with various banks related to certain bank borrowings. Pursuant to the agreements with the banks, the next review dates of bank borrowings of HK\$775 million, HK\$624 million and HK\$200 million will be October 2022, August 2022 and August 2022, respectively.

(ii) Utilization of banking facilities

As at 31 December 2021, the Group has total bank credit facilities of approximately HK\$2,931,923,000 (31 December 2020: approximately HK\$4,987,770,000), of which HK\$1,599,000,000 (31 December 2020: approximately HK\$3,358,758,000) were utilized by the Group. Upon the approval date of the consolidated financial statements, the Group has obtained a letter of intent for a new banking facility amounting to HK\$130,000,000.

(iii) Support from intermediate controlling shareholder

The Group has obtained a letter of support from its intermediate controlling shareholder, CHIH, who has confirmed its intention to provide sufficient financial support to the Group to enable it to meet its obligations and liabilities as and when they fall due, where the Directors are of the opinion that the financial support from CHIH will continue to be forthcoming. As at 31 December 2021, CHIH lent an aggregate of HK\$10.8 billion to the group in forms of intercompany loans and perpetual securities (31 December 2020: HK\$11.3 billion). Depending on the need for working capital, the Group may need to draw down the loans at different times and amounts. Furthermore, subsequent to the year end, the Group has obtained extensions from CHIH on intercompany borrowings with an aggregate balance of HK\$887,097,000. There are no intercompany borrowings fall due within the next twelve months from 31 December 2022 after the extensions.

(iv) Disposal of public traded bonds and listed equity securities

In respect of public traded bonds and the listed equity securities in Hong Kong held by the Group, which are classified either as financial assets at fair value through profit or loss or as financial assets at fair value through other comprehensive income in the consolidated statement of financial position as at 31 December 2021, the Directors are of the opinion that the Group would be able to dispose of such investments as and when needed to alleviate the Group's liquidity pressure.

(v) Measures to recover project cashflows, control expenses and contain capital expenditures

The Group will take active measures to improve its cash flow through focus of resources to recover cashflows from existing projects and investments in the upcoming year. At the same time, the Group will continue to take active measures to control administrative costs through various channels including communication of the budget, control, monitoring and adjustment by finance department within the Group.

(vi) Actively develop licensed business

Securities:

- (1) Focus on expanding institutional business and improve the profit contribution from institutional business
- (2) Collaborate with different segments to provide customers with comprehensive financial services of “investment + intelligence”
- (3) Focus on retail market segments and wealth management business

Asset management:

- (1) Implement the fund investment-focused strategy
- (2) Focus on the transformation of “big non-performing” alternative investment and actively manage asset management business

- (3) Highlight the characteristic model of main business and licensed business
- (4) Actively expand non-performing asset restructuring and mergers, alternative special direct investment and other asset management fund products
- (5) Based on the existing funds and new development of fund business, with existing platforms and personnel, focus on strengthening customer marketing efforts on the investment side and financing side, and strengthening the coordination and linkage within the Huarong Group, cross-combining investment banking business, investment business to give full play to the synergic effect of our licensed business.

Corporate Finance:

- (1) Focus on the underwriting, pricing and issuance of Hong Kong stock IPOs, focus on sub-sectors such as medicine and medical care, real estate, property, finance, etc., and continue to focus on key execution projects.
- (2) In coordination with major non-performing main businesses, focus on arranging merger and acquisition opportunities for restructured assets.
- (3) Undertake projects such as mergers and acquisitions, privatization, cross-border mergers and acquisitions, and give full play to the company's brand effect and the advantages of capital investment banks.
- (4) Focus on the main business of licenses and resume the development of debt underwriting business.
- (5) Take the initiative, strengthen resource coordination and external cooperation, and expand business network.

The Directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from 31 December 2021. They are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2021. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the going concern assumption be inappropriate, adjustments may have to be made to write down the values of assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements. The Audit Committee of the Board has confirmed that it has objectively and critically reviewed the measures mentioned above. The Audit Committee of the Board and the Board have confidence in the Group's management and concurred with management's view that the Group's business plan for the next twelve months is feasible and achievable. The Group has actively implemented, or is actively implementing, all the improvement targets outlined above for the purposes of increasing profits and improving the cash flow position of the Group.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“**RFR**”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an

RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate (“**HIBOR**”) as at 31 December 2021. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's HIBOR-based borrowings. The amendments did not have any impact on the financial position and performance of the Group.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

4. OPERATING SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Executive Committee as its chief operating decision maker.

Specifically, the Group's reportable and operating segments are as follows:

- (a) the securities segment comprises the broking and dealing of securities, futures and options contracts and the provision of margin financing services;
- (b) the corporate finance segment provides securities underwriting and sponsoring and financing advisory services to institutional clients;
- (c) the asset management and direct investment segment comprises provision of the asset management services and direct investments in equities, bonds, funds, derivative instruments and other financial products; and
- (d) the financial services and others segment comprises finance lease services, business consulting services, financing services and other related services.

Segment performance is evaluated based on reportable segment result, which is measured consistently with the Group's (loss)/profit before tax except that certain other income and gains or losses, certain finance costs and other unallocated expenses (including certain staff costs, certain rental expenses, certain depreciation, certain legal and professional fees and certain other expenses, incurred for strategic planning of the Group) are excluded from such measurement.

For the measurement of segment liabilities and results, interest-bearing borrowings are not allocated to segments while their corresponding finance costs are allocated to segment results.

(a) **Operating segments**

The following tables present the revenue and results for the years ended 31 December 2021 and 2020 for the Group's operating segments.

For the year ended 31 December 2021

	Securities <i>HK\$'000</i>	Corporate finance <i>HK\$'000</i>	Asset management and direct investment <i>HK\$'000</i>	Financial services and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue					
Commission and fee income	26,675	4,387	1,990	–	33,052
Interest income	10,101	–	366,730	72,642	449,473
Investment income	–	–	4,067	–	4,067
	<u>36,776</u>	<u>4,387</u>	<u>372,787</u>	<u>72,642</u>	<u>486,592</u>
Net loss on financial assets at fair value through profit or loss	–	–	(417,698)	–	(417,698)
Net gain arising from disposal of financial assets at fair value through other comprehensive income	–	–	2,530	–	2,530
Other income and gains or losses, net	<u>(2,044)</u>	<u>214</u>	<u>46,524</u>	<u>(36,444)</u>	<u>8,250</u>
	<u>34,732</u>	<u>4,601</u>	<u>4,143</u>	<u>36,198</u>	<u>79,674</u>
Segment results	(44,093)	(8,408)	(1,276,665)	(83,276)	(1,412,442)
Unallocated other income and gains or losses, expenses, net					<u>(137,080)</u>
Loss before tax					(1,549,522)
Income tax expense					<u>(52,770)</u>
Loss for the year					<u><u>(1,602,292)</u></u>

Other segment information for the year ended 31 December 2021

	Securities HK\$'000	Corporate finance HK\$'000	Asset management and direct investment HK\$'000	Financial services and others HK\$'000	Unallocated HK\$'000	Total HK\$'000
Finance costs	(797)	-	(472,780)	(3,638)	(5,347)	(482,562)
Net provision for impairment of other loans and debt instruments	-	-	(405,926)	-	-	(405,926)
Net reversal of impairment of an amount due from an associate	-	-	23,423	-	-	23,423
Net provision for impairment of advances to customers in margin financing	(37,718)	-	-	-	-	(37,718)
Net provision for impairment of finance lease receivables	-	-	-	(74,281)	-	(74,281)
Net provision for impairment of financial assets at fair value through other comprehensive income	-	-	(186,727)	-	-	(186,727)
Net provision for impairment of other financial assets at amortised cost	(5)	(58)	(187,090)	-	(16,850)	(204,003)
Depreciation	(45)	-	(38,958)	(20,651)	(3,786)	(63,440)
	<u>(45)</u>	<u>-</u>	<u>(38,958)</u>	<u>(20,651)</u>	<u>(3,786)</u>	<u>(63,440)</u>

For the year ended 31 December 2020

	Securities HK\$'000	Corporate finance HK\$'000	Asset management and direct investment HK\$'000	Financial services and others HK\$'000	Total HK\$'000
Segment revenue					
Commission and fee income	23,561	511	1,762	2,140	27,974
Interest income	137,205	-	555,668	75,957	768,830
Investment income	-	-	44,204	-	44,204
	<u>160,766</u>	<u>511</u>	<u>601,634</u>	<u>78,097</u>	<u>841,008</u>
Net loss on financial assets at fair value through profit or loss	-	-	(275,108)	(37,408)	(312,516)
Net loss arising from disposal of financial assets at fair value through other comprehensive income	-	-	(14,184)	-	(14,184)
Other income and gains or losses, net	8,467	(86)	(47,434)	(53,237)	(92,290)
	<u>169,233</u>	<u>425</u>	<u>264,908</u>	<u>(12,548)</u>	<u>422,018</u>

For the year ended 31 December 2020

	Securities <i>HK\$'000</i>	Corporate finance <i>HK\$'000</i>	Asset management and direct investment <i>HK\$'000</i>	Financial services and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment results	(227,090)	(152)	(2,344,340)	(88,964)	(2,660,546)
Unallocated other income and gains or losses, expenses, net					<u>(3,619)</u>
Loss before tax					(2,664,165)
Income tax expense					<u>(22,075)</u>
Loss for the year					<u><u>(2,686,240)</u></u>

Other segment information for the year ended 31 December 2020

	Securities <i>HK\$'000</i>	Corporate finance <i>HK\$'000</i>	Asset management and direct investment <i>HK\$'000</i>	Financial services and others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Finance costs	(6,306)	–	(664,180)	(10,181)	(7,047)	(687,714)
Net provision for impairment of other loans and debt instruments	–	–	(1,375,602)	–	–	(1,375,602)
Net provision for impairment of an amount due from an associate	–	–	(315,289)	–	–	(315,289)
Net provision for impairment of advances to customers in margin financing	(342,356)	–	–	–	–	(342,356)
Net provision for impairment of finance lease receivables	–	–	–	(60,582)	–	(60,582)
Net provision for impairment of financial assets at fair value through other comprehensive income	–	–	(102,084)	–	–	(102,084)
Net provision for impairment of other financial assets at amortised cost	–	–	(9,501)	–	(2,358)	(11,859)
Depreciation	(571)	–	(35,668)	(374)	(40,022)	(76,635)
Gain on disposal of property, plant and equipment	<u>1</u>	<u>–</u>	<u>919</u>	<u>–</u>	<u>4,013</u>	<u>4,933</u>

The following tables present the assets and liabilities for the Group's operating segments as at 31 December 2021 and 2020.

As at 31 December 2021

	Securities <i>HK\$'000</i>	Corporate finance <i>HK\$'000</i>	Asset management and direct investment <i>HK\$'000</i>	Financial services and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Total segment assets	1,624,671	37,182	4,979,946	1,072,869	7,714,668
Other unallocated assets					1,490,563
Total assets					<u>9,205,231</u>
Total segment liabilities	339,570	–	1,007,460	82,862	1,429,892
Other unallocated liabilities					8,271,333
Total liabilities					<u>9,701,225</u>

As at 31 December 2020

	Securities <i>HK\$'000</i>	Corporate finance <i>HK\$'000</i>	Asset management and direct investment <i>HK\$'000</i>	Financial services and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Total segment assets	997,992	37,186	10,369,303	1,186,147	12,590,628
Other unallocated assets					2,404,576
Total assets					<u>14,995,204</u>
Total segment liabilities	483,711	–	1,753,944	107,188	2,344,843
Other unallocated liabilities					11,269,185
Total liabilities					<u>13,614,028</u>

(b) Geographical information

The Group's operations are located in Hong Kong and Mainland China.

Information about the Group's revenue from external customers is presented based on the location of the operations.

Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Hong Kong	380,358	748,985	95,156	157,382
Mainland China	106,234	92,023	6	13
Total	<u>486,592</u>	<u>841,008</u>	<u>95,162</u>	<u>157,395</u>

Note: Non-current assets excluded financial assets and deferred tax assets.

(c) **Information about major customers**

During the year ended 31 December 2021, one external customer contributed more than 10% of total revenue of the Group (2020: nil):

	2021 HK\$'000	2020 HK\$'000
Customer A from asset management and direct investment	<u>52,304</u>	<u>N/A*</u>

* Customer A did not contribute more than 10% of total revenue of the Group during the year ended 31 December 2020.

5. REVENUE

The Group's revenue is disaggregated as follows:

	2021 HK\$'000	2020 HK\$'000
<i>Revenue from contracts with customers</i>		
Commission and fee income (<i>note (i)</i>):		
Fee and commission income on securities dealing and brokerage	25,212	23,021
Placing and underwriting fee income	4,387	480
Consultancy and financing advisory fee income	188	2,440
Fund subscription and management fee income	1,990	1,762
Other service income	1,275	271
	<u>33,052</u>	<u>27,974</u>

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<i>Revenue from other sources</i>		
Interest income:		
Interest income calculated using the effective interest method		
Interest income from other loans and debt instruments	211,307	280,412
Interest income from finance lease receivables	72,642	75,957
Interest income from margin financing activities and others	10,101	137,205
Interest income from an amount due from an associate	–	23,418
	<u>294,050</u>	<u>516,992</u>
Interest income – others:		
Interest income from financial assets at fair value through profit or loss	75,914	83,304
Interest income from financial assets at fair value through other comprehensive income	79,509	168,534
	<u>155,423</u>	<u>251,838</u>
Total interest income	<u>449,473</u>	<u>768,830</u>
Investment income:		
Dividend income	4,067	44,204
Total revenue	<u>486,592</u>	<u>841,008</u>

Note:

- (i) The commission and fee income is the only revenue arising under the scope of HKFRS 15, while interest income and investment income are under the scope of HKFRS 9. Included in revenue was revenue arising from contracts with customers recognised at a point in time and over time of HK\$30,874,000 (2020: HK\$24,072,000) and HK\$2,178,000 (2020: HK\$3,902,000), respectively.

6. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on bank borrowings	77,567	129,945
Interest on repurchase agreements and other activities	24,942	53,096
Interest on borrowings from an intermediate holding company	246,818	354,252
Interest on borrowings from fellow subsidiaries	27,110	29,309
Interest on borrowings from an immediate holding company	100,778	109,503
Interest on lease liabilities	5,347	11,609
	<u>482,562</u>	<u>687,714</u>

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Depreciation of property, plant and equipment	12,250	15,002
Depreciation of right-of-use assets	51,190	61,633
Gain on disposal of property, plant and equipment	–	(4,933)
Auditor's remuneration	6,774	6,237
Legal and professional fees	23,104	34,367
Salaries, bonuses and allowances (including directors' remuneration)	61,760	48,477
Pension scheme contributions (including directors' remuneration)	1,538	2,166
Net provision for impairment of other loans and debt instruments	405,926	1,375,602
Net (reversal of)/provision for impairment of an amount due from an associate	(23,423)	315,289
Net provision for impairment of advances to customers in margin financing	37,718	342,356
Net provision for impairment of finance lease receivables	74,281	60,582
Net provision for impairment of financial assets at fair value through other comprehensive income	186,727	102,084
Net provision for impairment of accounts receivable	185,255	12,149
Net provision/(reversal of) for impairment of other assets	18,748	(290)
	<u>18,748</u>	<u>(290)</u>

8. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax:		
Hong Kong	2,631	218
Mainland China	–	37,737
Over provision in prior years:		
Hong Kong	–	(5,391)
Mainland China	–	(2,155)
Deferred tax	50,139	(8,334)
	<u>52,770</u>	<u>22,075</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2018 (the “**Bill**”) which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime insignificant to the consolidated financial statements. Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profits for both years.

Hong Kong Profits Tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries in Mainland China was 25% for the year (2020: 25%).

A reconciliation of the tax applicable to loss before tax at the statutory rate of Hong Kong, where the Company is headquartered, to the tax expense is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss before tax	<u>(1,549,522)</u>	<u>(2,664,165)</u>
Tax at the statutory tax rate of 16.5% (2020: 16.5%)	(255,671)	(439,587)
Over provision in prior years	–	(7,546)
Income not subject to tax	(60,911)	(107,275)
Expenses not deductible for tax	45,737	135,736
Effect of tax loss not recognised	199,654	325,682
Temporary difference not recognised	57,415	121,901
Tax loss utilised	(432)	(19,666)
Reversal of deferred tax previously recognised	52,232	–
Effect of different tax rate of subsidiaries operating on other jurisdiction	<u>14,746</u>	<u>12,830</u>
Tax charge for the year	<u><u>52,770</u></u>	<u><u>22,075</u></u>

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share attributable to ordinary equity holders of the Company is as follows:

The calculation of the basic earnings per share attributable to the ordinary equity holders of the Company is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss		
Loss for the year attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	<u><u>(1,823,044)</u></u>	<u><u>(2,786,174)</u></u>
	Number of shares	
	2021 <i>'000</i>	2020 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	<u><u>8,709,586</u></u>	<u><u>6,549,901</u></u>

No diluted loss per share was presented for both years because there were no potential dilutive ordinary shares during both the current and prior years.

10. FINANCIAL ASSETS/(LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 HK\$'000	2020 HK\$'000
Financial assets at FVTPL		
Non-current		
– Unlisted fund investments (<i>note (i)</i>)	1,283,142	1,789,810
	<u>1,283,142</u>	<u>1,789,810</u>
Current		
– Unlisted fund investments (<i>note (i)</i>)	259,271	48,003
– Listed equity investments	275,300	597,547
– Listed fixed income securities	1,084,340	1,945,717
– Unlisted fixed income securities (<i>note (ii)</i>)	412,617	471,389
– Unlisted put options on listed equity investments at fair value (<i>note (iii)</i>)	–	653,020
	<u>2,031,528</u>	<u>3,715,676</u>
Total financial assets at FVTPL	<u>3,314,670</u>	<u>5,505,486</u>
Financial liabilities at FVTPL		
Current		
Unlisted foreign exchange forward contracts	17,530	53,282
Payables to interest holders of an unlisted consolidated investment fund, measured at FVTPL (<i>note (iv)</i>)	37,558	–
	<u>55,088</u>	<u>53,282</u>
Total financial liabilities at FVTPL	<u>55,088</u>	<u>53,282</u>

Notes:

- (i) The Group does not expect to transfer the unlisted fund investments of approximately HK\$1,283,142,000 (2020: HK\$1,789,810,000) to third parties within the next twelve months and has accordingly classified them as non-current assets.
- (ii) The coupon rates of these unlisted fixed income securities range from 7% to 8% (2020: from 7% to 8%) per annum as at 31 December 2021. The Group expects to transfer such unlisted fixed income securities to third parties within the next twelve months. The fair value of the unlisted fixed income securities was determined by an independent firm of professional valuers not connected to the Group.
- (iii) The Group purchased listed securities together with put options which give the Group the right to require the issuer of the put option, an independent third party, to purchase shares of listed companies in Hong Kong and Australia at a range of pre-determined prices in a specific period. At the expiry date of the put option, the issuer of put option shall purchase and the Group shall sell all shares that have not been sold till then, at a price determined in accordance with the put option agreement. The Group has exercised the put option on 20 November 2021 and 3 December 2021 for two put options respectively.
- (iv) Third-party interests in a consolidated investment fund consist of third-party unitholders' interests in a consolidated investment fund which are classified as liabilities.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current:		
Fixed income investments, at fair value	282,549	1,591,337
Current:		
Fixed income investments, at fair value	135,177	960,124
	<u>417,726</u>	<u>2,551,461</u>

During the year, the loss in respect of changes in the fair value of the Group's financial assets at FVTOCI recognised in other comprehensive income amounted to approximately HK\$58,988,000 (2020: a loss of approximately HK\$76,476,000). During the year, the Group has made provision for impairment of financial assets at fair value through other comprehensive income included in profit or loss of HK\$186,727,000 (2020: HK\$102,084,000). Total allowances for impairment as at 31 December 2021 are HK\$409,811,000 (2020: HK\$223,084,000). During the year, the Group disposed of financial assets at FVTOCI, and recorded a gain of approximately HK\$2,530,000 (2020: a loss of HK\$14,184,000), which were reclassified from other comprehensive income to profit or loss upon disposal.

Interest income derived from financial assets at FVTOCI was recognised as "interest income from financial assets at fair value through other comprehensive income" within "revenue".

12. FINANCE LEASE RECEIVABLES

The finance lease receivables as at 31 December 2021

	<i>HK\$'000</i>	
	Minimum finance lease receivables <i>HK\$'000</i>	Present value of minimum finance lease receivables <i>HK\$'000</i>
Non-current		40,525
Current		<u>802,332</u>
		<u>842,857</u>
Within one year	1,294,162	1,262,302
After one year but within two years	50,847	48,683
	1,345,009	1,310,985
Less: Unearned finance income	<u>(34,024)</u>	<u>–</u>
	1,310,985	1,310,985
Less: Allowance for impairment losses	<u>(468,128)</u>	<u>(468,128)</u>
Carrying amount of finance lease receivables	<u>842,857</u>	<u>842,857</u>

The finance lease receivables as at 31 December 2020

	<i>HK\$'000</i>	
Non-current		463,933
Current		<u>531,634</u>
		<u>995,567</u>
	Minimum finance lease receivables <i>HK\$'000</i>	Present value of minimum finance lease receivables <i>HK\$'000</i>
Within one year	890,616	810,516
After one year but within two years	543,278	522,519
After two years but within three years	<u>59,400</u>	<u>56,379</u>
	1,493,294	1,389,414
Less: Unearned finance income	<u>(103,880)</u>	<u>–</u>
	1,389,414	1,389,414
Less: Allowance for impairment losses	<u>(393,847)</u>	<u>(393,847)</u>
Carrying amount of finance lease receivables:	<u>995,567</u>	<u>995,567</u>

The movements of ECL on finance lease receivables

	<i>HK\$'000</i>
At 1 January 2020	334,520
Net recognition of impairment losses for the year	60,582
Exchange difference arising on translation of foreign operations	<u>(1,255)</u>
At 31 December 2020 and 1 January 2021	393,847
Net recognition of impairment losses for the year	<u>74,281</u>
At 31 December 2021	<u>468,128</u>

At 31 December 2021, finance lease receivables were all secured by the lease assets which are mainly machineries, motor vehicles and equipment. Interest rates of the above finance leases ranged from 6.80% to 9.75% per annum (2020: 6.80% to 9.75% per annum).

At 31 December 2021, the gross carrying amount of the finance lease receivables, which have been pledged as security for borrowing, was nil (2020: RMB321,523,000 (equivalent to HK\$382,020,000)).

13. OTHER LOANS AND DEBT INSTRUMENTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other loans and debt instruments	4,424,794	6,118,324
Provision for allowance on expected credit losses	<u>(3,281,871)</u>	<u>(3,007,596)</u>
	<u>1,142,923</u>	<u>3,110,728</u>
Analysed as:		
Current	327,874	1,796,813
Non-current	<u>815,049</u>	<u>1,313,915</u>
	<u>1,142,923</u>	<u>3,110,728</u>

As at 31 December 2021, other loans and debt instruments have contractual interest rates ranging from 6% to 10% per annum (2020: 6% to 13% per annum) with contractual maturity date up to 6 months from 31 December 2021 (2020: up to 2 years).

As at 31 December 2021, other loans and debt instruments with a carrying amount of approximately HK\$1,120,423,000 were secured by equity interests in companies listed in Hong Kong, residential properties in Hong Kong, land and properties in Mainland China, land and properties in the United States, and unlisted equity interests which were backed by guarantees from corporates or individuals. (2020: HK\$3,081,717,000 were secured by equity interests in companies listed in Hong Kong and Mainland China, land and properties in the Mainland China, land and properties in United States, and unlisted equity interests which were backed by guarantees from corporates or individuals). There were unsecured other loans and debt instruments with a carrying amount of approximately HK\$22,500,000 as at 31 December 2021 (2020: HK\$29,011,000) which were guaranteed by an independent third party.

As at 31 December 2021, the Group has a concentration of credit risk as 66% (2020: 57%) of the total other loans and debt instruments which were due from the Group's five largest borrowing customers. Interest income derived from other loans and debt instruments was recognised as "interest income from other loans and debt instruments" within "revenue".

No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of these other loans and debt instruments.

Regular reviews on other loans and debt instruments are conducted by the risk management department based on the latest status of other loans and debt instruments, and the latest announced or available information about the borrowers and the underlying collaterals held. Apart from collateral monitoring, the Group seeks to maintain effective control over its loans and debt instruments in order to minimise credit risk by regularly reviewing the borrowers' and/or guarantors' financial position.

The management of the Group estimates the expected credit loss allowance from the ECL model with reference to forward looking factors including macroeconomic factor forecasts and the probability weighted economic scenarios to determine the expected credit loss allowance. For credit impaired other loans and debt instruments, the management of the Group assessed the present values of estimated future cash flows with the consideration of expected future credit losses of the respective other loans and debt instruments which are based on the Group's historical credit loss experience. Moreover, the Group also reviews and assesses the value of the collateral received from the debtors or borrowers in determining the impairment with the involvement of third party qualified valuers, if necessary. The assessment of the credit risk and therefore expected cash flows of the respective loans and debt instruments involves a high degree of estimation and uncertainty. In the opinion of the directors of the Company, the impairment provision for the current period is sufficient.

As at 31 December 2021, the average loss rates for 12-month ECL, lifetime ECL (not credit-impaired) and lifetime ECL (credit-impaired) were nil (31 December 2020: 0.03%), 0.01% (31 December 2020: 2.84%) and 79% (31 December 2020: 60%), respectively.

As at 31 December 2021, the contractual amount outstanding on other loans and debt instruments that have been written off was HK\$27,513,000.

The carrying amounts of the Group's other loans and debt instruments are denominated in the following currencies:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong Dollar	1,142,923	2,422,128
United States Dollar ("US\$")	–	171,796
Renminbi ("RMB")	–	516,804
	<u>1,142,923</u>	<u>3,110,728</u>

14. ADVANCES TO CUSTOMERS IN MARGIN FINANCING

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Advances to customers in margin financing	904,909	913,636
Less: Provision for allowance on expected credit losses	(861,171)	(823,453)
	<u>43,738</u>	<u>90,183</u>

The advances to customers in margin financing are interest-bearing and secured by the underlying pledged securities. The Group maintains a list of approved securities for margin lending at a specific loan to collateral ratio. Any excess in the lending ratio will trigger a margin call in the case of which the customers have to make additional funds available for the shortfall.

No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in the view of the revolving nature of the business of securities margin financing.

The Group allows a credit period of up to the settlement dates of the respective securities, futures, options transactions or a credit period mutually agreed with the contracting parties. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables so as to minimise credit risk. Loans for margin financing are secured by the pledge of customers' securities as collateral. The credit facility granted to customers in margin financing are determined by the market value of the collateral securities accepted by the Group. The carrying amount of the loans and the market value of the collateral securities are reviewed regularly by the risk management department. Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collateral are required if the outstanding amount exceeds the eligible margin value of securities deposited. The collateral held can be repledged and can be sold at the Group's discretion to settle any outstanding amount owed by margin clients.

All the pledged securities were listed equity securities in the respective stock exchanges in Hong Kong as at 31 December 2021 and 2020. The loans are repayable on demand subsequent to the settlement date of the trade and normally carry interest at nil to Hong Kong Prime Rate + 15% per annum (2020: nil to Hong Kong Prime Rate + 15% per annum).

The advances to customers in margin financing have a concentration of credit risk as 93% (2020: 92%) of which were due from the Group's five largest securities margin clients.

In determining the allowances for credit impaired loans to margin clients, the management of the Group also takes into account the shortfall by comparing the market value of securities pledged as collateral and the outstanding balance of the loan to margin clients individually taking into account the subsequent settlement or executable settlement plan and restructuring arrangements. The management of the Group estimates the amount of expected credit loss allowance on these credit impaired loan receivables by assessing the present values of estimated future cash flows with the consideration of expected future credit losses of the respective loans which are based on the Group's historical credit loss experience. Moreover, the Group also reviews and assesses the fair value of the collateral received from the customers in determining the impairment with the involvement of independent qualified valuers when the loans also pledged by non-listed collaterals, if necessary. The assessment of the credit risk and therefore expected cash flows of the respective loan involves a high degree of estimation and uncertainty. In the opinion of the directors of the Company, the impairment provision for the current period is sufficient.

As at 31 December 2021, the average loss rates for 12-month ECL, lifetime ECL (not credit-impaired) and lifetime ECL (credit-impaired) were 0.34% (31 December 2020: 0.13%), nil (31 December 2020: nil) and 98% (31 December 2020: 94%), respectively.

As at 31 December 2021 and 31 December 2020, the contractual amount outstanding on advances to customers in margin financing that have been written off, but were still subject to enforcement activity was nil.

15. ACCOUNTS RECEIVABLE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Accounts receivable from:		
– securities, futures and options dealing services		
– clients	507	3,680
– brokers, dealers and clearing houses	367,788	86,903
– corporate finance and asset management	90,925	83,241
– direct investment and others	637,286	82,224
	<u>1,096,506</u>	<u>256,048</u>
Less: Provision for allowance on expected credit losses	<u>(276,419)</u>	<u>(91,164)</u>
	<u>820,087</u>	<u>164,884</u>

Accounts receivable from clients, brokers, dealers and clearing houses arising from the business of dealing in securities are repayable on demand subsequent to the settlement date and bear variable interests at commercial rates. The normal settlement terms of accounts receivable arising from the business of dealing in securities are two days after the trade date or at specific terms agreed with clients, brokers, dealers and accounts receivable arising from the business of dealing in futures and options are one day after the trade date.

Normal settlement terms of accounts receivable arising from the business corporate finance and asset management are determined in accordance with the agreed terms, usually within 3 months after the service was provided.

An ageing analysis of the Group's accounts receivable, based on the trade date and net of provision for impairment, is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–30 days	820,043	90,429
31–90 days	44	74,455
91–365 days	–	–
Over 365 days	–	–
	820,087	164,884

The movements in provision for impairment of accounts receivable are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At beginning of year	91,164	82,410
Impairment losses, net	185,255	12,149
Amount written off during the year	–	(3,395)
At end of year	276,419	91,164

For accounts receivable from clients, the management ensures that the available cash balance and listed equity securities belonging to accounts receivable clients in which the Group holds as custodian are sufficient to cover the amounts due to the Group. For the remaining accounts receivable that are overdue, management maintains effective control over the repayment schedule and assesses the latest status of the debtors.

As at 31 December 2021, accounts receivable amounting to HK\$90,925,000 (2020: HK\$83,241,000) arose from the corporate finance and asset management business which is under the scope of HKFRS 15 and accounts receivable amounting to HK\$637,286,000 (2020: HK\$82,224,000) was arising from direct investment business. The Group performs impairment assessment under lifetime ECL on these balances individually for debtors. As at 31 December 2021, allowance amounting to HK\$276,141,000 (2020: HK\$90,891,000) was made accordingly. The remaining provision for the impairment of accounts receivable is the provision for individually impaired accounts receivable from securities clients of approximately HK\$278,000 (2020: HK\$273,000).

16. ACCOUNTS PAYABLE

An ageing analysis of the Group's accounts payable, based on the settlement due date, is as follows:

	2021	2020
	HK\$'000	HK\$'000
Current to 1 month	<u>224,432</u>	<u>616,572</u>

As at 31 December 2021, included in the accounts payable is the accounts payable to financial institutions of nil (2020: HK\$219,904,000) which is maintained for investment trading. The balance is interest-bearing. There is no such accounts payable as at 31 December 2021.

The remaining accounts payable are unsecured and repayable on the settlement date of the relevant trades or upon demand from customers.

As at 31 December 2021, accounts payable with a carrying amount of approximately HK\$224,115,000 (2020: HK\$396,615,000) are interest-bearing at bank savings deposit rates.

17. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend for the year. No dividend was paid to the shareholders of the Company for the years ended 31 December 2021 and 31 December 2020. The board has resolved not to declare the payment of any dividend for the years ended 31 December 2021 and 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

For the Year, the Group recorded a revenue of approximately HK\$486,592,000 (Last Year: approximately HK\$841,008,000), net loss on financial assets at fair value through profit or loss of approximately HK\$417,698,000 (Last Year: net loss of approximately HK\$312,516,000), and net gain arising from disposal of financial assets at fair value through other comprehensive income of approximately HK\$2,530,000 (Last Year: net loss of approximately HK\$14,184,000). Therefore, total revenue and gains or losses described above decreased to approximately HK\$71,424,000 as compared to approximately HK\$514,308,000 for Last Year. The Group recorded a loss for the Year of approximately HK\$1,602,292,000 as compared to a loss of approximately HK\$2,686,240,000 for Last Year. Loss attributable to Shareholders for the Year was approximately HK\$1,823,044,000 as compared to that of approximately HK\$2,786,174,000 for Last Year. The substantial decrease in net loss for the Year compared to Last Year was mainly attributable to the substantial decrease in provisions for investment in other loans and debt instruments, margin financing advances to customers, finance lease receivables and trade receivables by approximately HK\$1.3 billion, while finance cost for the Year also decreased further as compared to Last Year on the back of the Company's effort to enhance the efficiency of fund utilisation.

Basic loss per share was HK20.9 cents for the Year as compared to basic loss per share of HK42.5 cents for Last Year. No diluted loss/earnings per share has been presented for the Year and Last Year as there was no dilutive ordinary shares for the Year.

MARKET REVIEW

In 2021, extensive COVID-19 vaccination, the gradual easing up of the economic market coupled with fiscal and monetary policies to address the pandemic by various nations, notably the major economies, have fueled economic recovery to varying extents. According to the latest report of the World Bank, the global economy showed rapid growth at a rate of 5.5% in 2021. Despite the global economic recovery, however, world economic development remained subject to considerable uncertainty and obstacles given escalated challenges presented by the intertwining crises such as COVID-19 variants, inflation and unyielding debt levels.

Against the enormous pressure brought about by domestic as well as international economic conditions, the Chinese economy demonstrated strong resilience and abundant potential to negotiate robust recovery and steady growth. China led the world in economic growth with a year-on-year GDP growth of 8.1% for the year as announced by the National Bureau of Statistics. The nation's prudent macro-economic policy and effective anti-epidemic measures have contributed to its rapid economic growth and rendered support for world economic growth. Hong Kong as an international financial centre continued to embrace potentials for development in the local market on the back of advantages afforded by Guangdong – Hong Kong – Macau Greater Bay Area and further inter-connection with the Mainland financial market, notwithstanding the difficulties and challenges of the recurring COVID-19 outbreak.

BUSINESS REVIEW

In 2021, the global economy was subject to the extensive impact of the COVID-19 pandemic, while escalating geopolitical tensions between China and the United States presented uncertainties in the market. Such factors continued to result in an adverse impact on the financial performance of the Group.

As market volatility was aggravated under the ravaging COVID-19 pandemic, the enterprises that the Group had invested in was subject to higher risk of default. As the businesses and valuations of certain companies in the Group's investment portfolio were under pressure, the Group made an impairment provision of approximately HK\$885,232,000 for the full year in respect of projects subject to risks. Confronting an extremely challenging external environment, the Group persisted in making progress in prudent operations by advancing the liquidation of items subject to risks for cash collection and asset reduction with full effort, enhancing risk management and control and actively reverting to a focus on its principal business. We seized market opportunities arising in this special period to identify business opportunities and expedited our business transformation and development, leveraging the synergies of our licensed businesses. In the meantime, as a state-owned listed financial holding company, the Group has vigorously undertaken its corporate social responsibility and provided assistance to small and medium enterprises by actively pursuing the reorganisation of problematic enterprises, to the extent permitted by its risk appetite, so that they could steer through the pandemic in a stable manner.

Asset Management and Direct Investment

The asset management and direct investment segment is engaged in the provision of asset management services, investment in stocks, bonds, funds, derivative instruments and other financial products with its own funds and the provision of structured financing. During 2021, the traditional asset management industry continued to face unprecedented challenges as a result of the impact of the COVID-19 pandemic and other factors. The Group actively addressed the austere conditions by strengthening its risk control measures and reducing risk exposures, as it continued to persist in the development of its existing businesses with a risk-proof approach. In the meantime, we were also actively engaged in business development in relation to the principal business of China Huarong Group with a special focus on distressed assets and relief for corporations, while leveraging the build-up and strengths in the non-performing asset business to facilitate development of the asset management business, with key efforts in the establishment of overseas funds for investment in non-performing assets and investment funds for high-yield bond funds in further exploration and diversification of product variety. The Group also enhanced its fundraising ability and overcame manifold difficulties encountered in the transformation process, resulting in effective growth in the size of assets under management and considerable growth in management fee income. Segment revenue was approximately HK\$372,787,000 for the Year, versus segment revenue of approximately HK\$601,634,000 for Last Year. The net losses on financial assets at fair value through profits or loss increased from approximately HK\$275,108,000 for Last Year to approximately HK\$417,698,000 for the Year. The segment result recorded a loss of approximately HK\$1,276,665,000 due to provision for impairment made for certain investment projects, as compared to loss of approximately HK\$2,344,340,000 for Last Year.

Securities

Securities business segment includes the provision of brokerage services, margin financing, structured financing and investment advisory services to achieve mutual benefits and win-win results with customers. In 2021, the Group actively addressed the complicated and austere economic environment and increasingly competitive market by persisting in compliant business operation and optimising its services. Against the backdrop of a lacklustre Hong Kong stock market in 2021, there was a slight decline in our retail business, although significant progress was reported in our effort to develop the institutional business. Moreover, the mobile APP “華融財富通” completed several computational upgrades to further enhance user experience and product diversity, as the Group increased its effort in the development of financial technology. Meanwhile, the Group enhanced risk control over existing projects and facilitated effective reduction of risk exposures and considerable enhancement of asset quality. For the Year, the revenue from the securities segment was approximately HK\$36,776,000 as compared to approximately HK\$160,766,000 for Last Year due to the fact that certain advances to customers in margin financing were crystalized and converted into other loans and trade receivables for Last Year, and the corresponding interest income and provisions associated with such advances decreased accordingly for the securities business. The segment result amounted to loss of approximately HK\$44,093,000 as compared to loss of approximately HK\$227,090,000 for Last Year.

Corporate Finance

The US dollar bond of Chinese companies saw roller-coaster price fluctuations in 2021. Year-on-year growth in issue volume and net increment was reported for US dollar bonds issued by Chinese companies for the first half of the year, with the issue volume hitting a record high in January. With a tightened and weakening liquidity chain for the domestic property sector and the rapid hike of US dollar bond interest rate in the second half of the year, the total volume of US dollar bonds issued by Chinese companies declined and the overall performance of investment bonds was better than the high-yield bonds. Nevertheless, the Group actively seized opportunities in the market and advanced its bond underwriting business with multiple approaches, reporting a substantial year-on-year growth in results for the Year with growth in issue volume, number of transactions and underwriting fee income compared to the same period last year. The Group entered into debut cooperation with a number of large SOEs, financial institutions, real estate companies and city investment companies. Our institutional business network was further expanded, as business partnerships were established with several premium institutional investors and peers. The Group’s influence and ranking in the Hong Kong bond capital market was enhanced. Moreover, the Group was committed to the provision of financial advisory service to institutional clients, offering advice on the terms and structure of their proposed deals and in relation to the Listing Rules and the Codes on Takeovers and Mergers and Shares Repurchases. The Group also made a major effort to establish its presence and build up clientele in Hong Kong IPO exercises in the biopharmaceutical, property management and financial technology sectors, as it started to develop and establish business partnerships with a number of central enterprises, financial institutions, property companies, family-run offices and fund companies with a view to expanding its equity

capital market business on multiple fronts. For the Year, revenue from the corporate finance segment amounted to approximately HK\$4,387,000 as compared to revenue of approximately HK\$511,000 for Last Year. The segment result for the Year was loss of approximately HK\$8,408,000 as compared to loss of approximately HK\$152,000 for Last Year. The increase in segment loss was mainly attributable to the increase in expense incurred by the corporate finance segment.

Financial Services and Others

Financial services and others includes provision of finance lease services, business consulting services and other related services in Mainland of China. It is focusing on providing services to the basic industries which conform to the PRC's industrial policy and economic development trend, by way of introducing financial leasing to those industries, including the logistics, automobile, aviation, solar energy and wind power generation and liquified natural gas sectors, to obtain constant and stable rental income. In addition, based on the Group's domestic and overseas business network and the experience of investing in various industries, the Group also provided consulting services on macro-economy, industry analysis, financial product design and other aspects for customers.

During the Year, the segment revenue was approximately HK\$72,642,000 (Last Year: HK\$78,097,000). The segment loss decreased to approximately HK\$83,276,000 (Last Year: segment loss of approximately HK\$88,964,000).

PROSPECTS

According to the Global Economic Prospects published by the World Bank, global economic growth is going into a phase of notable deceleration following the strong rebound in 2021 owing to the new threats posed by COVID-19 variants, as well as aggravating inflation, debt and income disparity. Global growth in 2022 is projected for a slowdown to 4.1% amidst continued COVID-19 outbreaks, diminished fiscal support and lingering supply bottlenecks. Against a complicated and austere economic backdrop, China will also face the threefold pressure of shrinking demand, impact on supply and weakened expectations. Nevertheless, the fundamental prospect of long-term positive economic growth and the favourable conditions for forging a new profile for development have remained unchanged, while new economic growth niches will continue to emerge, as the country strives to steer steady progress in sustained, healthy economic development.

In early 2022, Hong Kong suffered from a serious outbreak of Omicron, a variant of the COVID-19 virus, bringing increasing financial pressure and enormous challenges to market conditions. The overall performance of Hong Kong will be dependent on the development of the COVID-19 epidemic and various epidemic prevention and control measures. The Group will actively address the complicated conditions and manifold pressures in the external as well as internal markets by persisting in compliant business operation and enhancing its risk control measures, as it focuses on the principal business on “major non-performing assets” on the back of strengths afforded by the synergy of licensed businesses. We will adopt multiple measures to explore new profit sources and procure cost reduction, building our operations on risk mitigation through liquidation and cash collection as well as new investments with a special focus on transformation through driving existing businesses with new ones, M&A and reorganisation and licensed business. In connection with asset management and direct investment, we will pivot on the principal business of China Huarong in a resolute manner with a focus on distressed assets and relief for corporations, while also leveraging the build-up and strengths in the non-performing asset business to facilitate development of the asset management business, with key efforts in the establishment of overseas funds for investment in non-performing assets and investment funds for high-yield bond funds in further exploration and diversification of product variety. The Group will also enhance its fundraising ability and overcome the manifold difficulties encountered in the transformation process to seek effective growth in the size of assets under management. For the securities business, in view of the recent escalating epidemic situation and the resulting disruption of the normal work patterns, the Company has implemented flexible work arrangements to take care of staff health and safety, while ensuring uninterrupted business operation and support for clients through a combination of on-site and remote office operation, the Group will continue to step up with its market expansion effort and pursue breakthrough progress in securities trading service, margin financing, structured financing and investment advisory services to achieve mutual benefits and win-win results with customers. In corporate finance, the Group will further develop our business in the bond capital market to increase its influence in Hong Kong’s bond market capital. Meanwhile, we will also continue to expand our institutional business network to provide financial advisory services for institutional clients, while making a major effort to establish our presence and build up clientele in Hong Kong IPO exercises in the biopharmaceutical, property management and financial technology sectors, with a view to expanding our equity capital market business on multiple fronts.

Year 2022 marks the second year of the Group’s comprehensive implementation of its Five-Year Development Plan 2021–2025 (the “**Five-Year Development Plan**”). The Group will continue to improve on the basis of developments achieved in the first year and exercise solid control over operating risks, procuring business transformation with a focus on the principal business on “major non-performing assets” on the back of strengths afforded by the synergy of licensed businesses. We will also leverage the advantage of Hong Kong as an international financial centre and the synergy afforded by the Guangdong – Hong Kong – Macau Greater Bay Area to enhance professional financial services relating to investment opportunities in cross-border non-performing companies, in order to seek prudent progress, achieve cost reduction and efficiency enhancement in an effort to add value for Shareholders.

FINANCIAL REVIEW

Capital Structure

As at 31 December 2021, the total number of issued shares of the Company (with par value of HK\$0.001 each) was 8,709,586,011. Total shareholders' equity was approximately HK\$-495,994,000, a decrease by approximately 136% as compared to approximately HK\$1,381,176,000 as at 31 December 2020.

Liquidity and Financial Resources

The Group reviews its liquidity position regularly and manages liquidity and financial resources actively according to the changes in economic environment and business development needs. As at 31 December 2021, the Group had total cash and cash equivalents amounting to approximately HK\$1,852,784,000 as compared to approximately HK\$1,720,306,000 as at 31 December 2020, excluding client funds that were kept in separate designated bank accounts of approximately HK\$215,590,000 (31 December 2020: approximately HK\$380,295,000), nil pledged bank deposit (31 December 2020: HK\$13,000,000) and deposits in other financial institutions of HK\$14,457,000 (31 December 2020: HK\$16,921,000). As at 31 December 2021, 56% (31 December 2020: 70%) of the Group's cash and cash equivalents was denominated in HK\$ or RMB. The Group's gearing ratio as at 31 December 2021 was -1696.33% as compared to 772.26% as at 31 December 2020, being calculated as borrowings over the Group's shareholders' equity. The increase in gearing ratio was attributable to a decrease in the Group's shareholders' equity in the Year.

The Group has been committed to expanding the financing channel and maintaining an appropriate allocation of repayment schedules and overall fund application to maintain robust financial position. As at 31 December 2021, the Group obtained shareholder loans from CHIH in an aggregate principal amount of approximately US\$605,115,000 (equivalent to approximately HK\$4,718,726,000) (31 December 2020: approximately US\$605,115,000 (equivalent to approximately HK\$4,691,214,000)) to support the business of the Group. Such loans were subject to interest at a fixed annual interest rate of 4.3% to 7.98% (31 December 2020: annual rate of 4.3% to 7.98%) and repayable in five months and within eight years (31 December 2020: one to nine years) from the end of the Year. Subsequent to the end of the Year, CHIH extended the due date of an intra-company loan with a total balance of HK\$887,097,000 owed by the Group. Following the extension, there was no intra-company loans which would fall due within 12 months from 31 December 2022.

The Group had loans denominated in USD of US\$260,940,000 (equivalent to approximately HK\$2,034,825,000) from Right Select International Limited (31 December 2020: the Group had loans of US\$260,940,000 (equivalent to approximately HK\$2,022,962,000)). The Group also had a RMB loan of RMB50,000,000 (equivalent to approximately HK\$61,155,000) from a fellow subsidiary (31 December 2020: RMB loan of RMB499,400,000 (equivalent to approximately HK\$593,365,000)).

As at 31 December 2021, the Group had utilised bank credit facilities of approximately HK\$1,599,000,000 (31 December 2020: approximately HK\$3,358,758,000), all subject to floating interest rates (31 December 2020: HK\$247,301,000 subject to interest at fixed annual interest rates ranging from 3.9% to 6.1% and HK\$3,111,457,000 subject to floating interest rates).

As at 31 December 2021, the Group had undrawn bank facilities of approximately HK\$1,332,923,000 (31 December 2020: approximately HK\$1,629,012,000), providing the Group with additional liquidity as and when required.

As at 31 December 2021, the Group was unable to comply with a financial covenant under banking facilities in relation to a loan amount of HK\$624 million. As of the date of publication of this announcement, the Group has obtained a waiver from the bank, and such bank is still providing normal banking facilities to the Group and has not requested early repayment of borrowings. As such, the Company does not expect any material adverse impact of the aforesaid events on the Group's financial performance and operations.

Taking into account the financial resources and bank and other financing available to the Group, (including but not limited to internally generated cashflow, cash on hand and bank balances, and external loans), the Group anticipates sufficient working capital for its present requirements for at least the next 12 months.

For the subsidiaries licensed by the Securities and Futures Commission of Hong Kong, the Group ensures each of the subsidiaries maintains a liquidity level adequate to support the level of regulated activities with a sufficient buffer to accommodate increases in liquidity requirements arising from potential increases in the level of business activities. During the Year, all the licensed subsidiaries complied with the liquidity requirements under the Securities and Futures (Financial Resources) Rules.

Charges on Group Assets

As at 31 December 2021, no assets of the Group were pledged to secure the Group's bank loans (31 December 2020: finance lease receivables with a gross carrying amount of RMB321,523,000 (equivalent to HK\$382,020,000) and time deposit of HK\$13,000,000 were pledged as security for borrowing).

Foreign Exchange Exposure

The Group's principal operations in Hong Kong and overseas are transacted and recorded in Hong Kong dollars and United States dollars, while principal operations in the PRC are transacted and recorded in Renminbi. The Group is not exposed to material foreign exchange risks because Hong Kong dollars are pegged to United States dollars. Other foreign currency exposure is relatively insignificant when compared to our total assets and liabilities. As such, we consider our foreign exchange risk exposure manageable and the Group will closely monitor such risk exposure from time to time.

Contingent Liabilities

Regarding the alleged claims against Huarong International Securities Limited (an indirectly wholly owned subsidiary of the Company, “**HRIS**”) that was previously disclosed, the plaintiff and HRIS reached a settlement in respect with such proceeding and the consent order made by the Court of First Instance of the High Court of the Hong Kong Special Administrative Region became effective on 9 March 2020.

The Group had no material contingent liabilities at 31 December 2021 and 31 December 2020.

Significant Securities Investment

The Group is primarily engaged in the provision of financial services, including but not limited to asset management and direct investment, securities and corporate finance services. During the Year, the Group held securities investments such as listed preference shares, listed equity investments, listed bonds, unlisted convertible bonds and convertible notes, as well as unlisted fund investments. As at 31 December 2021, the Group did not hold any significant investments which constitute 5% or more of its total assets.

Provision for Impairment

The Group recognised impairment provision for expected credit loss for financial assets at amortized cost and financial assets at fair value through other comprehensive income in accordance with the expected credit loss model under Hong Kong Financial Reporting Standards 9 Financial Instruments (“**HKFRS 9**”). Provision for allowance of expected credit losses is computed as the difference between the carrying value of the relevant financial instruments and the present values of estimated future cashflows, taking into account the expected future credit losses of the financial instruments.

The Group has established credit risk policies and processes for impairment assessment in accordance with HKFRS 9, including the establishment and approval of models, as well as the choice and application of assumptions and major inputs. In accordance with HKFRS 9, the Group has distinguished the stages of impairment provision for the relevant items into stage one (no significant increase in credit risk since initial recognition), stage two (significant increase in credit risk) or stage three (credit-impaired) based on the impact of credit risk on the items held.

The major credit risk and expected credit loss faced by the Group is mainly derived from other loans and debt instruments, advances to customers in margin financing, financial assets at fair value through other comprehensive income, finance lease receivables, accounts receivable and amount due from an associate. The Group closely monitors its other loans and debt instruments, advances to customers in margin financing, financial assets at fair value through other comprehensive income, finance lease receivables, accounts receivable and amount due from an associate on an ongoing basis. In the event of the lender or issuer of the item being subject to overdue risks, decline in the value of collaterals or negative public opinion in the market, the Group will conduct thorough investigation of the causes of the events and adopt remedial measures such as timely liaison with the customers for early repayment and obtaining supplementary collaterals from the customer.

At the same time, the Group verifies the stage of impairment provision of the item according to information on the item known or collected. For stage one or stage two, the impairment amount of expected credit loss is determined through the expected credit loss model. For the stage three, impairment is charged according to individual assessment.

The Group recorded net impairment loss of approximately HK\$885,232,000 for 2021, which was mainly attributable to the following:

- Under a margin project of the Group, advances to a customer in margin financing was converted into other loans and debt instruments through a deed of assignment on 27 October 2020. The collateral under the project consisted of shares of a listed company in Hong Kong, which was ordered to enter liquidation by the High Court of Hong Kong in May 2021 and whose shares have been suspended from trading since the same date. According to publicly available information, the said listed company was in a net debt position and, taking into account its liquidation procedure in progress, was not likely to resume normal operation in the future. The collaterals under this project basically do not carry any value and a provision for impairment of HK\$141 million in respect of such project for the Year was made.
- Under a margin project of the Group, advances to a customer in margin financing was converted into other loans and debt instruments through a deed of assignment on 29 June 2020. The collateral under the project consisted mainly of shares of a listed company in Hong Kong. During the year, there was a continuous, substantial decline in the market price of such shares owing to the impact of the COVID-19 pandemic, external political and economic factors and the listed company's internal operational and debt issues. As a result, a provision for impairment of HK\$336 million was made in respect of such project for the Year by reference to the fair value of the collaterals.
- An impairment provision of HK\$186.73 million was made in respect of the Group's financial assets at fair value through other comprehensive income, owing mainly to the classification of certain real estate sector bonds as stage three following their default. The management recognized total impairment loss of approximately HK\$187 million for the Year based on assessment of the credit standing and default loss rate of the issuers of such bonds.

- A margin financing advance project of the Group was secured by collaterals including shares of a listed company in Hong Kong and 60% equity interests in a non-listed company in Mainland China. Trading in the shares of the Hong Kong-listed company has been suspended since September 2020 owing to the delay in the publication of its 2019 annual results and 2020 interim results and such listed company is subject to petition for liquidation. The non-listed company in Mainland China has halted operation owing to the pandemic and has not been able to furnish its company management statements. The collaterals under this project basically do not carry any value and a further provision for impairment of HK\$34 million was made for the Year.
- The original collateral of a fixed-income project of the Group consisted of the controlling interests in a listed company in Hong Kong. The receiver appointed by the Group disposed of the collateral in 2021 for repayment of default loans extended by the Group. However, the price for the disposal of the collateral fell short of the full amount of the outstanding loan. Meanwhile, the debtor of the loan was operating in the aviation business which was the hardest-hit sector under the COVID-19 pandemic and such debtor was in a persistent loss position and subject to a substantial amount of default debt. In view of such factors, a full provision for impairment of HK\$47 million was made for the Year in respect of the difference between the selling price of the collateral and the outstanding loans.
- A loan project of the Group was classified to stage three in mid-2021 after being overdue for a prolonged period. The interest accrued on such loan was fully impaired for prudence purposes. Mainly due to such classification, a total provision for impairment of HK\$51 million was made in respect to such loan for the Year.
- The debtor of two fixed income projects of the Group was a former listed company in Hong Kong and the projects were mainly guaranteed by the effective controller of such listed company. Such listed company was ordered to enter liquidation by the High Court of Hong Kong and was delisted in February 2021, while its effective controller has also been declared bankrupt. Currently, the liquidation of such listed company is proceeding slowly owing to the pandemic, and the management made a further provision for impairment of HK\$40 million for the Year based on estimations arrived at according to Moody's weighted average default loss rate for subordinate bonds for prudence purposes.
- A provision for impairment of approximately HK\$72 million for the Year was made in respect of nine finance leasing projects of the Group which were classified as stage three under the credit impairment model, based on the analysis of and estimate on the realisable values of the leased items and collaterals.
- The creditors' rights assets of a fixed-income project of the Group was disposed of by way of listing-for-sales on domestic stock exchange in late 2020. During the Year, the Group received in full the assignment consideration of RMB680 million. Therefore, an impairment provision amount of HK\$243 million was reversed during the Year.

The Group will assess the expected credit risk and impairment of financial assets at amortized cost and financial assets at fair value through other comprehensive income on an ongoing basis and communicate with the management and/or Board on the impact of the relevant events on specific items and on the financial reporting of the Group in a timely manner in accordance with internal procedures. At the same time, the Group will actively take further actions to collect unrecovered amounts and endeavour to recover amounts from customers through various means, including legal actions and disposal of collaterals.

Significant Events during the Year

- (1) In late October 2021, in light of the continuous depressed share price of Sunshine 100 China Holdings Ltd (“**Sunshine 100**”) (HKEx: 2608) and unfavourable market conditions related to real estate industry in the PRC, Beyond Steady Limited (a wholly owned subsidiary of the Company, the “**Grantee**”) proposed to exercise the Put Option (as defined below) according to the terms of the put option deed dated 5 September 2018 (the “**Put Option Deed**”) and the supplemental deed to the Put Option Deed dated 17 December 2020 entered into by Joywise Holdings Limited (the “**Grantor**”), the Grantee and Yi Xiaodi (the “**Guarantor**”) to protect its interest. The Company has obtained a written shareholders’ approval from Camellia Pacific Investment Holding Limited (directly holding 21.01% equity interest in the Company) and Right Select International Limited (directly holding 29.98% equity interest in the Company), in lieu of the convening of a general meeting of the Company, for the approval of the exercise of Put Option and transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules. On 3 December 2021, the Grantee has exercised the put option (the “**Put Option**”) by serving a default notice on the Grantor and Guarantor to require the Grantor to purchase 235,055,000 shares in Sunshine 100 (the “**Put Option Shares**”) at the price of HK\$955,267,062 (the “**Default Put Option Price**”). For details, please refer to the circular of the Company dated 3 December 2021. As of the date of this announcement, the Grantee has not received any payment of the Default Put Option Price from the Grantor or the Guarantor. As a result, completion of the sale and purchase of the Put Option Shares is delayed. Without prejudice to the Company’s rights, including those under the Put Option, the Company is currently in negotiation with the Grantor and the Guarantor in relation to (among others) the settlement of the Default Put Option Price and any alternative proposals.
- (2) In relation to a significant event during the year disclosed in the 2020 Annual Report of the Group, namely, the disposal of Creditors’ Rights Assets (as defined in the Group’s 2020 Annual Report, including primary creditor’s rights and guarantee rights) by Huarong Shengyuan (Beijing) Investment Co. Ltd., a wholly-owned subsidiary of the Company, to Zhongwei Group (Qingdao) Co., Ltd. in late 2020 by way of listing-for-sales on a domestic stock exchange at an assignment consideration of RMB680 million, the Group received in full the aforesaid assignment consideration during the Year. Accordingly, the Group reversed an impairment provision amount of HK\$243 million for the Year.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2021, the Group employed a total of 65 employees (31 December 2020: 79 employees). The Group's recruitment and promotion of staff is based on consideration of multiple factors, such as job nature, market rates, relevant experience of the employees, individual merits and development potential, and may also offer discretionary incentives and bonuses by reference to indicators such as market conditions, the Company's business performance, individual staff performance and fulfilment of compliance requirements, among others, with a view to rewarding staff contributions as well as retaining and incentivising employees with superior competence and experience to continue to deliver value for the Group. Other benefits offered by the Group include, but are not limited to, voluntary employer contributions to the mandatory provident fund and group medical plans, etc.

The Group is committed to providing employees with an environment conducive to ongoing learning and development. The Group arranges both internal and external multi-dimensional training and development plans for staff and offer incentives for off-duty studies to eligible staff to encourage voluntary learning and ongoing self-improvement to address the growing requirements of the Group's operations.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the Year (2020: nil).

EVENTS AFTER THE END OF THE REPORTING PERIOD

The Group has no significant events subsequent to the end of the Year to the date of this announcement.

ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on 15 June 2022 (the "AGM"). A notice convening the AGM will be published in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 10 June 2022 to 15 June 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the forthcoming AGM which will be held on 15 June 2022, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 9 June 2022.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the Year.

CORPORATE GOVERNANCE PRACTICES

Throughout the Year, the Company has complied with all the applicable and implemented code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

Details of the Company’s corporate governance practices can be found in the Corporate Governance Report set out in the Company’s annual report 2021 to be despatched to the Shareholders in April 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors of the Company. In response to specific enquiry made by the Company, all Directors confirmed that they have fully complied with the required standards as set out in the Model Code throughout the Year.

AUDIT COMMITTEE

The Audit Committee of the Company currently comprises four independent non-executive Directors, namely Mr. Hung Ka Hai Clement, Mr. Ma Lishan, Mr. Guan Huanfei and Dr. Lam Lee G.. The principal duties of the Audit Committee include the review and supervision of the Group’s financial reporting system, financial statements and internal control procedures. The Audit Committee has reviewed the accounting principles and practices adopted by the Group with the management and discussed auditing, internal control and financial reporting matters. The annual results and consolidated financial statements of the Group for the Year have been reviewed by the Audit Committee.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this preliminary announcement have been agreed by the Group’s auditor, Ernst & Young, to the amounts set out in the Group’s consolidated financial statements for the Year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this preliminary announcement.

PUBLICATION OF ANNUAL REPORT

The 2021 annual report of the Company containing all the applicable information required by the Listing Rules will be despatched to the shareholders of the Company and published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hrif.com.hk) in due course.

By order of the Board
Huarong International Financial Holdings Limited
Xu Xiaowu
Chairman

Hong Kong, 28 March 2022

As at the date of this announcement, the Board comprises Mr. Xu Xiaowu and Mr. Wang Junlai as executive Directors, Ms. Wang Qi as non-executive Director, and Mr. Hung Ka Hai Clement, Mr. Ma Lishan, Mr. Guan Huanfei and Dr. Lam Lee G. as independent non-executive Directors.