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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)

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Huarong International Financial Holdings Limited (the “**Company**”) hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2022 together with the comparative figures for the six months ended 30 June 2021 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

		For the six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	Notes		
REVENUE			
Commission and fee income	5	4,203	17,916
Interest income	5		
Interest income calculated using the effective interest method		76,590	174,755
Others		34,961	94,951
Investment income	5	20,135	1,516
		<u>135,889</u>	<u>289,138</u>
Net (loss)/gain on financial assets at fair value through profit or loss		(291,476)	11,413
Net loss arising from disposal of financial assets at fair value through other comprehensive income		(19,337)	(6,558)
Other income and gains or losses, net		(47,802)	29,591
Brokerage and commission expenses		(1,345)	(8,013)
Administrative and other operating expenses		(127,169)	(107,488)
Impairment losses, net		(819,437)	(287,072)
Finance costs	6	(196,335)	(248,286)
LOSS BEFORE TAX	7	<u>(1,367,012)</u>	<u>(327,275)</u>
Income tax credit/(expense)	8	20,439	(8,659)
LOSS FOR THE PERIOD		<u>(1,346,573)</u>	<u>(335,934)</u>
Attributable to:			
Equity holders of the Company		(1,457,379)	(446,488)
Holder of perpetual capital securities		79,218	78,541
Non-controlling interests		31,588	32,013
		<u>(1,346,573)</u>	<u>(335,934)</u>
BASIC LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9	<u>HK16.7 cents</u>	<u>HK5.1 cents</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>LOSS FOR THE PERIOD</b>	<b><u>(1,346,573)</u></b>	<b><u>(335,934)</u></b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Fair value loss on financial assets at fair value through other comprehensive income	(91,968)	(18,252)
Net provision for impairment of financial assets at fair value through other comprehensive income included in profit or loss	45,458	63,437
Reclassification adjustments relating to disposal of financial assets at fair value through other comprehensive income during the period	19,337	6,558
Exchange differences on translation of foreign operations, net	<u>15,364</u>	<u>(3,855)</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b><u>(11,809)</u></b>	<b><u>47,888</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b><u><u>(1,358,382)</u></u></b>	<b><u><u>(288,046)</u></u></b>
<b>Attributable to:</b>		
Equity holders of the Company	(1,469,188)	(398,600)
Holder of perpetual capital securities	79,218	78,541
Non-controlling interests	<u>31,588</u>	<u>32,013</u>
	<b><u><u>(1,358,382)</u></u></b>	<b><u><u>(288,046)</u></u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

		<b>30 June</b>	31 December
		<b>2022</b>	2021
		<b>(Unaudited)</b>	(Audited)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>7,623</b>	13,101
Other long term assets		<b>4,070</b>	4,498
Intangible assets		<b>2,350</b>	2,350
Right-of-use assets		<b>53,881</b>	79,711
Prepayments, deposits and other receivables		<b>20,997</b>	21,728
Financial assets at fair value through profit or loss	10	<b>369,081</b>	1,283,142
Financial assets at fair value through other comprehensive income	11	<b>189,333</b>	282,549
Finance lease receivables	12	<b>19,292</b>	40,525
Other loans and debt instruments	13	<b>655,339</b>	815,049
<b>Total non-current assets</b>		<b>1,321,966</b>	2,542,653
<b>CURRENT ASSETS</b>			
Advances to customers in margin financing	14	<b>42,433</b>	43,738
Accounts receivable	15	<b>251,929</b>	820,087
Prepayments, deposits and other receivables		<b>303,554</b>	357,817
Financial assets at fair value through profit or loss	10	<b>2,166,412</b>	2,031,528
Financial assets at fair value through other comprehensive income	11	<b>125,981</b>	135,177
Finance lease receivables	12	<b>590,388</b>	802,332
Other loans and debt instruments	13	<b>237,874</b>	327,874
Amount due from related parties		<b>4,585</b>	4,539
Tax recoverable		<b>2,910</b>	56,655
Restricted bank balances		<b>160,162</b>	215,590
Deposits in other financial institutions		<b>14,487</b>	14,457
Cash and deposits with banks		<b>2,376,696</b>	1,852,784
<b>Total current assets</b>		<b>6,277,411</b>	6,662,578

		<b>30 June</b>	31 December
		<b>2022</b>	2021
		<b>(Unaudited)</b>	(Audited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>CURRENT LIABILITIES</b>			
Accounts payable	16	<b>507,213</b>	224,432
Other liabilities, payables and accruals		<b>303,888</b>	310,452
Interest-bearing borrowings		<b>1,599,000</b>	2,486,097
Repurchase agreements		<b>452,883</b>	474,139
Tax payable		<b>73,652</b>	77,930
Lease liabilities		<b>53,671</b>	58,331
Financial liabilities at fair value through profit or loss	10	–	55,088
Amount due to related parties		<b>56,480</b>	56,034
		<u><b>3,046,787</b></u>	<u>3,742,503</u>
Total current liabilities			
		<u><b>3,230,624</b></u>	<u>2,920,075</u>
<b>NET CURRENT ASSETS</b>			
		<u><b>4,552,590</b></u>	<u>5,462,728</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Other liabilities, payables and accruals		<b>3,504</b>	1,416
Interest-bearing borrowings		<b>6,462,737</b>	5,927,609
Lease liabilities		<b>5,239</b>	29,697
		<u><b>6,471,480</b></u>	<u>5,958,722</u>
Total non-current liabilities			
		<u><b>(1,918,890)</b></u>	<u>(495,994)</u>
<b>Net liabilities</b>			
<b>EQUITY</b>			
Share capital		<b>8,710</b>	8,710
Share premium and reserves		<b>(6,006,702)</b>	(4,537,514)
		<u><b>(5,997,992)</b></u>	<u>(4,528,804)</u>
Equity attributable to owners of the Company			
Perpetual capital securities classified as equity instruments		<b>2,802,066</b>	2,755,781
Non-controlling interests		<b>1,277,036</b>	1,277,029
		<u><b>(1,918,890)</b></u>	<u>(495,994)</u>
<b>Total equity</b>		<u><b>(1,918,890)</b></u>	<u>(495,994)</u>

## NOTES:

### 1. GENERAL INFORMATION

The Company 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 has been changed from Unit A, 16<sup>th</sup> floor & Unit A, 17<sup>th</sup> floor, Two Pacific Place, 88 Queensway, Hong Kong to 15<sup>th</sup> floor, China Huarong Tower, 60 Gloucester Road, Wanchai, Hong Kong, with effect from 10 May 2022. 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. Currently, major Shareholders of China Huarong include the Ministry of Finance (the “**MOF**”), CITIC Group Corporation, China Insurance Rongxin Private Fund Co., Ltd., China Life Insurance (Group) Company, Warburg Pincus and Sino-Ocean Group Holding Limited.

This unaudited interim financial information was approved by the Board for issue on 29 August 2022.

### 2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021.

This unaudited interim financial information is presented in thousands of Hong Kong dollars (“**HK\$’000**”), which is also the functional currency of the Company.

#### Going concern basis

As at 30 June 2022, the Group had net liabilities of HK\$1,919 million (31 December 2021: net liabilities of HK\$496 million) and incurred a loss of HK\$1,347 million (30 June 2021: net loss of HK\$336 million) for the six months period 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***

The Group communicated and confirmed with various banks on the bank borrowings. Pursuant to the agreements with the banks, the next review dates of bank borrowings of HK\$775 million, HK\$200 million and HK\$624 million will be October 2022, October 2022 and August 2023, respectively.

**(ii) *Utilization of banking facilities***

As at 30 June 2022, the Group has total bank credit facilities of approximately HK\$2,933,914,000 (31 December 2021: approximately HK\$2,931,923,000), of which approximately HK\$1,599,000,000 (31 December 2021: approximately HK\$1,599,000,000) were utilized by the Group. During the current period, 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 30 June 2022, CHIH lent an aggregate of HK\$10.5 billion to the group in forms of intercompany loans and perpetual securities (31 December 2021: HK\$10.8 billion). Depending on the need for working capital, the Group may need to draw down the loans at different times and amounts. During the six months ended 30 June 2022, the Group has obtained extensions from CHIH on intercompany borrowings with an aggregate balance of HK\$497,289,000 as of 30 June 2022. There are no intercompany borrowings to be due within the next twelve months from 30 June 2022 after the extensions.

To strengthen the capital of the Group and support its financing activities, on 29 August 2022, the Company entered into two subscription agreements with CHIH, under which the Company, as the issuer, agrees to issue to CHIH (1) 6.86 percent unsubordinated perpetual securities in a principal amount of US\$275 million on 13 September 2022 and (2) 6.86 percent unsubordinated perpetual securities in a principal amount of US\$215 million on 2 November 2022 (collectively, the "Perpetual Securities"), both at an issue price equal to 100 percent (the "Issue Price") of the respective principal amounts of the Perpetual Securities, and CHIH, as the subscriber, agrees to subscribe the Perpetual Securities on the respective closing dates at the Issue Price.

**(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 condensed consolidated statement of financial position as at 30 June 2022, 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 and monitoring 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) Promote 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 subsectors 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 30 June 2022. 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 30 June 2022. 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 condensed 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.

### 3. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018–2020</i>	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41</i>

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

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to HKFRSs 2018–2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

#### 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 Company has determined the members of 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, financial advisory and financing arrangement services to institutional clients;
- (c) the asset management and direct investment segment comprises provision of 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 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 segment while their corresponding finance costs are allocated to segment results.

(a) **Operating segments**

The following tables represent the revenue and results for the six months ended 30 June 2022 and 2021 for the Group's operating segments:

*Six months ended 30 June 2022 (unaudited)*

	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>
<b>Segment revenue</b>					
Commission and fee income	3,394	-	809	-	4,203
Interest income	2,166	-	84,198	25,187	111,551
Investment income	-	-	20,135	-	20,135
	<u>5,560</u>	<u>-</u>	<u>105,142</u>	<u>25,187</u>	<u>135,889</u>
Net loss on financial assets at fair value through profit or loss	-	-	(291,476)	-	(291,476)
Net loss arising from disposal of financial assets at fair value through other comprehensive income	-	-	(19,337)	-	(19,337)
Other income and gains or losses, net	<u>(3,316)</u>	<u>212</u>	<u>22,070</u>	<u>(66,269)</u>	<u>(47,303)</u>
	<u>2,244</u>	<u>212</u>	<u>(183,601)</u>	<u>(41,082)</u>	<u>(222,227)</u>
<b>Segment results</b>	<u>(29,132)</u>	<u>207</u>	<u>(1,066,473)</u>	<u>(262,416)</u>	<u>(1,357,814)</u>
Other unallocated income and gains or losses, expenses, net					<u>(9,198)</u>
Loss before tax					(1,367,012)
Income tax credit					<u>20,439</u>
Loss for the period					<u>(1,346,573)</u>

Six months ended 30 June 2021 (unaudited)

	Securities HK\$'000	Corporate finance HK\$'000	Asset management and direct investment HK\$'000	Financial services and others HK\$'000	Total HK\$'000
<b>Segment revenue</b>					
Commission and fee income	13,680	3,242	994	–	17,916
Interest income	13,289	–	220,406	36,011	269,706
Investment income	–	–	1,516	–	1,516
	<u>26,969</u>	<u>3,242</u>	<u>222,916</u>	<u>36,011</u>	<u>289,138</u>
Net gains on financial assets at fair value through profit or loss	–	–	11,413	–	11,413
Net loss arising from disposal of financial assets at fair value through other comprehensive income	–	–	(6,558)	–	(6,558)
Other income and gains or losses, net	–	–	25,653	8,136	33,789
	<u>26,969</u>	<u>3,242</u>	<u>253,424</u>	<u>44,147</u>	<u>327,782</u>
<b>Segment results</b>	<u>(3,234)</u>	<u>(1,928)</u>	<u>(216,924)</u>	<u>(23,647)</u>	<u>(245,733)</u>
Other unallocated income and gains or losses, expenses, net					<u>(81,542)</u>
Loss before tax					(327,275)
Income tax expense					<u>(8,659)</u>
Loss for the period					<u><u>(335,934)</u></u>

The following tables present the assets and liabilities for the Group's operating segments as at 30 June 2022 and 31 December 2021.

	<b>30 June 2022 (Unaudited) HK\$'000</b>	31 December 2021 (Audited) HK\$'000
<b>Assets</b>		
Securities	<b>1,813,860</b>	1,624,671
Corporate finance	<b>26,116</b>	37,182
Asset management and direct investment	<b>4,423,850</b>	4,979,946
Financial services and others	<b>602,865</b>	1,072,869
	<hr/>	<hr/>
Total segment assets	<b>6,866,691</b>	7,714,668
Other unallocated assets	<b>732,686</b>	1,490,563
	<hr/>	<hr/>
Total assets	<b>7,599,377</b>	9,205,231
	<hr/>	<hr/>
<b>Liabilities</b>		
Securities	<b>537,261</b>	339,570
Corporate finance	–	–
Asset management and direct investment	<b>699,240</b>	1,007,460
Financial services and others	<b>71,568</b>	82,862
	<hr/>	<hr/>
Total segment liabilities	<b>1,308,069</b>	1,429,892
Other unallocated liabilities	<b>8,210,198</b>	8,271,333
	<hr/>	<hr/>
Total liabilities	<b>9,518,267</b>	9,701,225
	<hr/> <hr/>	<hr/> <hr/>

**Other segment information for the six months ended 30 June 2022 (unaudited)**

	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	-	-	(166,510)	(28,123)	(1,702)	(196,335)
Net provision for impairment of other loans and debt instruments	-	-	(240,125)	-	-	(240,125)
Net provision for impairment of accounts receivable and others	-	-	(331,941)	-	-	(331,941)
Net provision for impairment of advances to customers in margin financing	(7,633)	-	-	-	-	(7,633)
Net provision for impairment of finance lease receivables	-	-	-	(194,280)	-	(194,280)
Net provision for impairment of financial assets at fair value through other comprehensive income	-	-	(45,458)	-	-	(45,458)
	<u>-</u>	<u>-</u>	<u>(454,534)</u>	<u>(222,403)</u>	<u>(1,702)</u>	<u>(678,639)</u>

**Other segment information for the six months ended 30 June 2021 (unaudited)**

	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	(349)	-	(232,497)	(3,318)	(12,122)	(248,286)
Net provision for impairment of other loans and debt instruments	-	-	(170,119)	-	-	(170,119)
Net provision for impairment of accounts receivable and others	-	-	(96)	-	-	(96)
Net provision for impairment of advances to customers in margin financing	(5,563)	-	-	-	-	(5,563)
Net provision for impairment of finance lease receivables	-	-	-	(47,857)	-	(47,857)
Net provision for impairment of financial assets at fair value through other comprehensive income	-	-	(63,437)	-	-	(63,437)
	<u>(5,912)</u>	<u>-</u>	<u>(295,643)</u>	<u>(51,175)</u>	<u>(12,122)</u>	<u>(364,852)</u>

**(b) Geographical information:**

The Group's operations are located in Hong Kong and the 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	
	For the six months ended			
	30 June		30 June	31 December
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	109,774	239,201	63,848	95,156
Mainland China	26,115	49,937	6	6
	<u>135,889</u>	<u>289,138</u>	<u>63,854</u>	<u>95,162</u>

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

**(c) Information about major customers**

During the six months period ended 30 June 2022, one external customer contributed more than 10% of total revenue of the Group (2021: nil):

	30 June	30 June
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Customer A from asset management and direct investment	<u>18,666</u>	<u>—*</u>

\* Customer A did not contribute more than 10% of total revenue of the Group during the period ended 30 June 2021.

## 5. REVENUE

The Group's revenue is disaggregated as follows:

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	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	3,323	12,651
Consultancy and financing advisory fee income	8	3,344
Fund subscription and management fee income	809	995
Other service income	63	926
	<u>4,203</u>	<u>17,916</u>
<i>Revenue from other sources</i>		
Interest income:		
Interest income calculated using the effective interest method		
Interest income from other loans and debt instruments	49,237	113,862
Interest income from finance lease receivables	25,187	36,011
Interest income from margin financing activities	2,166	13,289
Interest income from an amount due from an associate	–	11,593
	<u>76,590</u>	<u>174,755</u>
Interest income – others:		
Interest income from financial assets at fair value through profit or loss	27,137	34,240
Interest income from financial assets at fair value through other comprehensive income	7,824	60,711
	<u>34,961</u>	<u>94,951</u>
Total interest income	<u>111,551</u>	<u>269,706</u>
Investment income:		
Dividend income	20,135	1,516
Total revenue	<u>135,889</u>	<u>289,138</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\$3,394,000 (2021: HK\$16,921,000) and HK\$809,000 (2021:HK\$995,000), respectively.

## 6. FINANCE COSTS

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>(Unaudited)</b> <i>HK\$'000</i>	<b>(Unaudited)</b> <i>HK\$'000</i>
Interest on bank borrowings	21,714	43,989
Interest on repurchase agreements and other activities	5,922	14,485
Interest on a loan from a fellow subsidiary	1,437	14,723
Interest on loans from an immediate holding company	50,298	49,909
Interest on loans from an intermediate holding company	115,262	122,212
Interest on lease liabilities	1,702	2,968
	<u>196,335</u>	<u>248,286</u>

## 7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>(Unaudited)</b> <i>HK\$'000</i>	<b>(Unaudited)</b> <i>HK\$'000</i>
Depreciation of property, plant and equipment	6,289	6,435
Depreciation of right-of-use assets	25,396	25,646
Auditor's remuneration – interim review	1,763	1,725
Legal and professional fee	14,780	7,532
Employee benefit expenses (including directors' remuneration)	31,672	33,655
Net provision for impairment of other loans and debt instruments	240,125	170,119
Net provision for impairment of accounts receivable and others	331,941	96
Net provision for impairment of advances to customers in margin financing	7,633	5,563
Net provision for impairment of finance lease receivables	194,280	47,857
Net provision for impairment of financial assets at fair value through other comprehensive income	<u>45,458</u>	<u>63,437</u>

## 8. INCOME TAX

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
Hong Kong	–	6,541
Mainland China	–	2,118
Over provision in prior years:		
Hong Kong	<u>(20,439)</u>	<u>–</u>
Total tax (credit)/charge for the period	<u><b>(20,439)</b></u>	<u><b>8,659</b></u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of 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 as insignificant to the interim financial information. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods, if any.

During the six months ended 30 June 2022, no provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in Hong Kong. During the six months ended 30 June 2021, Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong.

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 PRC subsidiaries is 25% for the period (2021: 25%).

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

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

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Loss</b>		
Loss for the period attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	<b><u>(1,457,379)</u></b>	<b><u>(446,488)</u></b>
	<b>For the six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>'000</b>	<b>'000</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	<b><u>8,709,586</u></b>	<b><u>8,709,586</u></b>

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

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

	<b>30 June 2022 (Unaudited) HK\$'000</b>	31 December 2021 (Audited) HK\$'000
<b>Financial assets at fair value through profit or loss (“FVTPL”)</b>		
Non-current:		
Unlisted fund investments ( <i>note (i)</i> )	<u>369,081</u>	<u>1,283,142</u>
Current:		
Unlisted fund investments ( <i>note (i)</i> )	<b>702,160</b>	259,271
Listed equity investments	<b>140,713</b>	275,300
Listed fixed income securities	<b>916,060</b>	1,084,340
Unlisted fixed income securities ( <i>note (ii)</i> )	<u>407,479</u>	<u>412,617</u>
	<u><b>2,166,412</b></u>	<u>2,031,528</u>
Total financial assets at FVTPL	<u><b>2,535,493</b></u>	<u>3,314,670</u>
<b>Financial liabilities at FVTPL</b>		
Current:		
Unlisted foreign exchange forward contracts	–	17,530
Payables to interest holders of an unlisted consolidated investment fund, measured at FVTPL ( <i>note (iii)</i> )	<u>–</u>	<u>37,558</u>
Total financial liabilities at FVTPL	<u><b>–</b></u>	<u>55,088</u>

### Notes:

- (i) The Group expects to realise the unlisted fund investments of approximately HK\$702,160,000 (31 December 2021: HK\$259,271,000) within the next twelve months and has accordingly classified them as current assets.
- (ii) The coupon rates of these unlisted fixed income securities range from 7% to 8% (31 December 2021: from 7% to 8%) per annum as at 30 June 2022. The Group expects to transfer such unlisted fixed income securities to third parties within the next twelve months.
- (iii) Third-party interests in an unlisted consolidated investment fund consist of third-party unitholders' interests in an unlisted consolidated investment fund which are classified as liabilities as at 31 December 2021. The interests were redeemed by the third-party unitholders upon the liquidation of the unlisted consolidated investment fund during 2022.

## 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<b>30 June 2022 (Unaudited) HK\$'000</b>	31 December 2021 (Audited) HK\$'000
Non-current		
Fixed income securities, at fair value	<b>189,333</b>	282,549
Current		
Fixed income securities, at fair value	<u><b>125,981</b></u>	<u>135,177</u>
	<u><b>315,314</b></u>	<u>417,726</u>

During the period, the loss in respect of changes in fair value of the Group's financial assets at FVTOCI recognised in other comprehensive income amounted to approximately HK\$91,968,000 (2021: loss of approximately HK\$18,252,000). During the period, the Group has net provision for impairment of financial assets at fair value through other comprehensive income included in profit or loss of HK\$45,458,000 (2021: HK\$63,437,000). Total allowances for impairment as at 30 June 2022 are approximately HK\$455,269,000 (31 December 2021: HK\$409,811,000). During the period, the Group disposed of financial assets at FVTOCI to independent third parties and a loss of approximately HK\$19,337,000 (2021: loss of approximately HK\$6,558,000) was 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 30 June 2022:

	<b>30 June 2022 (Unaudited) HK\$'000</b>
Non-current	<b>19,292</b>
Current	<u><b>590,388</b></u>
Total	<u><b>609,680</b></u>

	<b>30 June 2022</b>	
	<b>Minimum finance lease receivables <i>HK\$'000</i></b>	<b>Present value of minimum finance lease receivables <i>HK\$'000</i></b>
Within one year	1,233,917	1,218,564
After one year but within two years	24,675	23,954
	<u>1,258,592</u>	<u>1,242,518</u>
Less: Unearned finance income	(16,074)	–
	<u>1,242,518</u>	<u>1,242,518</u>
Less: Allowance for expected credit losses	(632,838)	(632,838)
Carrying amount of finance lease receivables	<u><b>609,680</b></u>	<u><b>609,680</b></u>

The finance lease receivables as at 31 December 2021:

	31 December 2021 (Audited) <i>HK\$'000</i>
Non-current	40,525
Current	<u>802,332</u>
Total	<u><b>842,857</b></u>

	31 December 2021	
	<b>Minimum finance lease receivables <i>HK\$'000</i></b>	<b>Present value of minimum finance lease receivables <i>HK\$'000</i></b>
Within one year	1,294,162	1,262,302
After one year but within two years	50,847	48,683
	<u>1,345,009</u>	<u>1,310,985</u>
Less: Unearned finance income	(34,024)	–
	<u>1,310,985</u>	<u>1,310,985</u>
Less: Allowance for expected credit losses	(468,128)	(468,128)
Carrying amount of finance lease receivables	<u><b>842,857</b></u>	<u><b>842,857</b></u>

The movements of allowance for expected credit losses on finance lease receivables:

	<i>HK\$'000</i>
At 1 January 2021 (audited)	393,847
Net provision for impairment for the year	<u>74,281</u>
At 31 December 2021 and 1 January 2022 (audited)	<b>468,128</b>
Net provision for impairment for the period	<b>194,280</b>
Amount written off during the period	<b>(3,668)</b>
Exchange differences on translation of foreign operations	<u><b>(25,902)</b></u>
At 30 June 2022 (unaudited)	<u><b>632,838</b></u>

At 30 June 2022 and 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 (31 December 2021: 6.80% to 9.75% per annum).

### 13. OTHER LOANS AND DEBT INSTRUMENTS

	<b>30 June 2022 (Unaudited) <i>HK\$'000</i></b>	31 December 2021 (Audited) <i>HK\$'000</i>
Other loans and debt instruments	<b>4,285,435</b>	4,424,794
Less: Allowance for expected credit losses	<u><b>(3,392,222)</b></u>	<u>(3,281,871)</u>
	<u><b>893,213</b></u>	<u>1,142,923</u>
Non-current	<b>655,339</b>	815,049
Current	<u><b>237,874</b></u>	<u>327,874</u>
	<u><b>893,213</b></u>	<u>1,142,923</u>

As at 30 June 2022, other loans and debt instruments included loans to independent third parties which are secured and/or backed by guarantees and collaterals, with contractual interest rates ranging from 6% to 10% per annum (31 December 2021: 6% to 10% per annum).

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.

As at 30 June 2022, other loans and debt instruments with a carrying amount of approximately HK\$893,213,000 (31 December 2021: 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. There were unsecured other loans and debt instruments with a carrying amount of approximately nil as at 30 June 2022 (31 December 2021: HK\$22,500,000) which were guaranteed by an independent third party.

As at 30 June 2022, the Group has concentration of credit risk as 69% (31 December 2021: 66%) 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".

As at 30 June 2022, other loans and debt instruments of approximately HK\$893,213,000 (2021: HK\$905,049,000) has been overdue or repayable on demand and approximately nil (2021: HK\$237,874,000) was with maturity in 6 months.

The management of the Group estimates the amount of loss allowance for expected credit loss on these credit impaired loan receivables by assessing the present value of estimated future cash flows with the consideration of expected future credit loss of the respective loans which are based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors or borrowers, which include any (i) significant financial difficulty of the debtors or borrowers, (ii) breach of contract or probability that the debtors or borrowers will enter bankruptcy and (iii) the status and progress of financial restructuring, general economic conditions and both the current conditions at the reporting date as well as the forecast of future conditions with significant judgments involved. 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 third party qualified valuers, 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 30 June 2022, the average loss rates for 12-month ECL, lifetime ECL (not credit-impaired) and lifetime ECL (credit-impaired) were nil (31 December 2021: nil), 0.01% (31 December 2021: 0.01%) and 84% (31 December 2021: 79%) respectively.

As at 30 June 2022, the contractual amount outstanding on other loans and debt instruments that have been written off was HK\$129,774,000 (31 December 2021: HK\$27,513,000).

### **Novation loans**

The Hong Kong economy has been greatly impacted by the US and China trade tariff dispute and worsened further by the recent Coronavirus outbreak, certain margin clients concerned have been unable to repay the margin loans as scheduled despite the vigorous efforts by the Group to demand repayment. The margin loan recovery plan has met these major obstacles unexpected and not been able to deliver satisfactory results to date.

According to Paragraphs 3.10 and 6.4 of Guidelines for Securities Margin Financing Activities ("**SMF Guidelines**"), a Securities Margin Financing ("**SMF**") broker should assess the concentration risks of individual securities collateral by estimating the impact on its excess liquid capital of the hypothetical stress scenario of the securities held as collateral being valued at zero by the FRR for liquid capital calculation purposes and a SMF broker should also take reasonable steps to avoid excessive exposure to outstanding margin calls.

In order to comply with the requirements of the SMF Guidelines, a subsidiary of the Company (“**subsidiary A**”) had notified the Securities and Futures Commission (“**SFC**”) as at 6 March 2020 that it has worked out various alternative measures.

Thereafter, subsidiary A of the Company had taken action to restructure certain margin loans and underlying collaterals into certain loans backed by security interest and guarantee (if any) by assigning the debts and other rights and interests to subsidiary B of the Company (“**subsidiary B**”) through executing agreements with certain margin customers and their guarantors (if any). Subsidiary A has signed deeds of assignment with certain margin customers which were effective on 30 April 2020 and the subsidiary A thereby assigned certain advances to customers in margin financing to subsidiary B. Subsidiary B also signed side deeds during 2020 with subsidiary A that, in consideration for the abovementioned assignment of debts and other rights and interests, subsidiary B will pay a gross amount of HK\$2,447,008,000 at transaction price to subsidiary A for the transfer within 3 years. This balance is unsecured and interest-free.

As at 30 June 2022, there was a further reduction in the carrying amount of the assigned loans as compared to the position as at the assignment date as a result of increase of provision for impairment. The assigned loans have gross amount of HK\$2,432,509,000 (31 December 2021: HK\$2,432,509,000) and allowance for expected credit losses of HK\$1,777,170,000 (31 December 2021: HK\$1,617,460,000), resulting in a net balance of HK\$655,339,000 (31 December 2021: HK\$815,049,000).

#### 14. ADVANCES TO CUSTOMERS IN MARGIN FINANCING

	<b>30 June 2022 (Unaudited) HK\$’000</b>	31 December 2021 (Audited) HK\$’000
Advances to customers in margin financing	<b>911,237</b>	904,909
Less: Allowance for expected credit losses	<b>(868,804)</b>	(861,171)
	<b><u>42,433</u></b>	<u>43,738</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 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 its credit risk. Advances to customers margin financing are secured by the pledge of customers’ securities as collateral. The credit facility limits to customers in margin financing are determined by the market value of the collateral securities accepted by the Group. Overdue balances are reviewed regularly by the management.

As at 30 June 2022, the Group has concentration of credit risk as 93% (31 December 2021: 93%) of the total loans to securities margin clients 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 loan to margin clients individually taking into account of 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 value 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, adjusted for factors that are specific to the debtors or borrowers, which include any (i) significant financial difficulty of the debtors or borrowers, (ii) breach of contract or probability that the debtors or borrowers will enter bankruptcy and (iii) the status and progress of financial restructuring, general economic conditions and both the current conditions at the reporting date as well as the forecast of future conditions with significant judgments involved. Moreover, the Group also reviews and assesses the market value of the collateral received from the customers in determining the impairment with the involvement of independent qualified valuers, 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 30 June 2022, the average loss rates for 12-month ECL, lifetime ECL (not credit-impaired) and lifetime ECL (credit-impaired) were 0.55% (31 December 2021: 0.34%), nil (31 December 2021: nil), and 99% (31 December 2021: 98%) respectively.

As at 30 June 2022 and 31 December 2021, 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.

During 2020, subsidiary A has signed deeds of assignment with certain margin customers effective on 30 April 2020 which is detailed in note 13.

## 15. ACCOUNTS RECEIVABLE

	<b>30 June 2022 (Unaudited) HK\$'000</b>	31 December 2021 (Audited) HK\$'000
Accounts receivable from:		
– securities, futures and options dealing services		
– clients	832	507
– brokers, dealers and clearing houses	144,281	367,788
– corporate finance and asset management	77,890	90,925
– direct investment and others	<b>637,286</b>	637,286
	<b>860,289</b>	1,096,506
Less: Allowance for expected credit losses	<b>(608,360)</b>	(276,419)
	<b>251,929</b>	820,087

Accounts receivable from clients, brokers, dealers and clearing houses arising from the business of dealing in securities are repayable on demand subsequent to 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 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 trade date.

Normal settlement terms of accounts receivable arising from the business of 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 allowance for expected credit losses, is as follows:

	<b>30 June 2022 (Unaudited) HK\$'000</b>	31 December 2021 (Audited) HK\$'000
0–30 days	144,803	820,043
31–90 days	30	44
91–365 days	107,096	–
Over 365 days	–	–
	<u>251,929</u>	<u>820,087</u>

The movements in allowance for expected credit losses of accounts receivable are as follows:

	<b>30 June 2022 (Unaudited) HK\$'000</b>	31 December 2021 (Audited) HK\$'000
At beginning of period/year	276,419	91,164
Net provision for impairment	<u>331,941</u>	<u>185,255</u>
At end of period/year	<u>608,360</u>	<u>276,419</u>

For accounts receivable from clients, the management ensures that the available cash balance and listed equity securities belonging to accounts receivable client 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 30 June 2022, accounts receivable amounting to HK\$77,890,000 (31 December 2021: HK\$90,925,000) arose from corporate finance and asset management business which is under the scope of HKFRS 15 and accounts receivable amounting to HK\$637,286,000 (31 December 2021: HK\$637,286,000) arose from direct investment business. The Group performs impairment assessment under lifetime ECL on these balance individually for debtors. As at 30 June 2022, allowance amounting to HK\$608,080,000 (31 December 2021: HK\$276,141,000) was made accordingly.

The remaining allowance for expected credit losses of accounts receivable is the provision for individually impaired accounts receivable from securities clients of approximately HK\$280,000 (31 December 2021: HK\$278,000).

## 16. ACCOUNTS PAYABLE

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

	<b>30 June 2022 (Unaudited) HK\$'000</b>	31 December 2021 (Audited) HK\$'000
Current to 1 month	<b><u>507,213</u></b>	<u>224,432</u>

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

As at 30 June 2022, accounts payable with a carrying amount of approximately HK\$161,115,000 (31 December 2021: HK\$224,115,000) are interest-bearing at bank savings deposit rates.

## 17. DIVIDENDS

No dividend was paid to the shareholders of the Company for the six months ended 30 June 2022 and 30 June 2021.

The Board has resolved not to declare the payment of any interim dividend for the six months ended 30 June 2022 and 30 June 2021.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL HIGHLIGHTS**

For the Period, the Group recorded a revenue of approximately HK\$135,889,000 (Last Period: approximately HK\$289,138,000), net loss on financial assets at fair value through profit or loss of approximately HK\$291,476,000 (Last Period: net gain of approximately HK\$11,413,000), net loss arising from disposal of financial assets at fair value through other comprehensive income of approximately HK\$19,337,000 (Last Period: net loss of approximately HK\$6,558,000). Therefore, total revenue and investment losses described above amounted to approximately HK\$174,924,000 (Last Period: net gains of approximately HK\$293,993,000). Net loss for the Period was approximately HK\$1,346,573,000 (Last Period: net loss of approximately HK\$335,934,000), while loss attributable to the Shareholders for the Period was approximately HK\$1,457,379,000 (Last Period: loss of approximately HK\$446,488,000). The increase in net loss for the Period was mainly due to the decrease in interest income associated with the reduced size of the Group's assets; and multiple adverse factors including tightened global monetary policies, geopolitical developments and the COVID-19 pandemic which caused a decline in the prices of the financial asset investments of the Group, resulting in relatively substantial loss in financial assets at fair value through profit or loss recorded, as well as a substantial amount of impairment provision made by the Group in respect of its direct investment in debt instruments, trade receivables, loans and margin financing advances.

Basic loss per Share was HK16.7 cents for the Period as compared to basic loss per Share of HK5.1 cents for the Last Period, and no diluted loss per Share has been presented for the Period and the Last Period as there was no dilutive financial instruments for the Period and the Last Period.

### **MARKET REVIEW**

In the first half of 2022, the COVID-19 pandemic continued to spread while the international situation was complicated and austere. Inflationary pressure further heightened and the slowdown in global economic growth became apparent under the impact of numerous factors, and global output contracted in the wake of the economic slowdown of China and Russia. Meanwhile, consumer spending in the United States also fell short of expectations. Already undermined by the pandemic, the world economy was dealt further blows: a tightened financing environment caused by global inflation exceeding expectations (especially in the United States and major European economies); economic slowdown in China exceeding expectations under the impact of the COVID-19 pandemic and anti-pandemic measures; and further negative spillover impact caused by the Ukrainian war. Such factors have resulted in a serious blow to global economic growth and nurtured negative market sentiments, as most assets generally reported loss in value.

Against the impact of the pandemic and complicated and austere domestic as well as international environments, China consistently enhanced its effort in macro-policy adjustments. The recurring pandemic outbreaks were brought under effective control and market prices basically remained stable, and people's livelihood have been effectively safeguarded. The economy overcame the adverse impact of unanticipated factors to show a stabilising trend poised for rebound. During the first half of 2022, there was a notable slowdown in Hong Kong's economic growth as the city experienced the combined impact of recurring pandemic outbreaks, slackened demand in neighbouring regions and the expedited implementation of tightening monetary policies in Europe and the United States. Nevertheless, the Hong Kong Government launched a range of anti-pandemic relief programmes and a financial stimulus plan with increasing magnitude, in a bid to support the development of sectors relating to consumer spending, while protecting the labour market to alleviate the burden on citizens. Given the further easing of the pressure imposed by the pandemic and the gradual rise of the vaccination rate, the pace of normalised development of economic activities will pick up and Hong Kong's drive for economic recovery will also be steadily enhanced.

## **BUSINESS REVIEW**

During the first half of 2022, the Group's business and financial performance was adversely affected by various factors such as complicated and austere international conditions, ongoing spread of the COVID-19 pandemic and escalating market volatility. Enterprises invested in by the Group were subject to relatively high default risk, and the businesses and valuations of certain companies in the Group's investment portfolio were subject to pressure. For the Period, an impairment provision of approximately HK\$819,437,000 was made in respect of projects subject to risks, while the decline in prices of the Group's financial asset investments resulted in loss of HK\$291,476,000 in financial assets at fair value through profit or loss for the Period. To address a most challenging external environment, the Group persisted in seeking progress while maintaining stability, driving with full force collection and cash recouping for projects under risk as well as and asset reduction and enhancing risk control, while actively reverted to its principal business and seized this special window in the market to identify business opportunities, leveraging fully the synergies of the licence business to accelerate business transformation.

### **Asset Management and Direct Investment**

The asset management and direct investment segment is engaged in the provision of asset management services, investment in equity, bonds, funds, derivative instruments and other financial products with its own funds and the provision of structured financing. During the first half of 2022, the asset management industry faced unprecedented impact and challenges amidst the ongoing outbreaks of COVID-19 variants coupled with the escalating Russian-Ukrainian conflict. The Group actively addressed the austere conditions by strengthening various market risk and credit risk control measures to actively reducing risk exposure and persisting in advancing the development of its existing business with a risk-proof approach. Meanwhile, we were also vigorously engaged in the prudent development of its principal non-performing asset business, focusing on distressed assets and relief for corporations in the prevention and mitigation of risks to serve the physical economy.

The Group leveraged its build-up and strengths in the non-performing asset business to facilitate development of its asset management business, with key efforts in the cultivating of overseas funds for investment in non-performing assets and special opportunities bond funds in further diversification of product variety, strengthening of fundraising capabilities, and promoting business transformation and development. In connection with bond investment, the Group made active adjustments to shorten the term of its portfolios and improve the bond portfolios' credit rating, thereby effectively withstanding the financial market risk brought about by the tightening policy adopted by central banks worldwide.

Segment revenue and investment loss was approximately HK\$205,671,000 for the Period, versus segment revenue and investment gain of approximately HK\$227,771,000 for the Last Period. The segment result recorded a loss of approximately HK\$1,066,473,000 due to provision for impairment made for certain investment projects as detailed in “Financial Review-Provision of Impairment” in this section below, as compared to loss of approximately HK\$216,924,000 for the Last Period.

## **Securities**

Securities business segment includes the provision of brokerage services, margin financing, structured financing and investment advisory services. During the first half of 2022, the Group persisted in compliant business operation and expedited business transformation with a focus on its principal licensed business to achieve cost reduction, efficiency enhancement, diversification of revenue streams and conservation of resources against a complicated economic environment and lacklustre market environment. In connection with the development of financial technology, the mobile APP “Huarong Caifutong (華融財富通)”, the e-commerce fund mall went online, while the new stock centre completed several computational upgrades. In connection with its custodian business, the Group has enhanced business synergy and assisted in the disposal of stock assets in risk projects relating to system random access memory (“RAM”) to earn transaction commission to develop intermediary income. In connection with the management of existing projects, the Group further improved its risk control measures with enhanced efforts in negotiations and communication with customers to ensure principal and interest repayments as due for existing normal projects.

For the Period, the revenue and other gains or losses from the securities segment was approximately HK\$2,244,000 as compared to approximately HK\$26,969,000 for the Last Period. Among the changes in revenue and other income, revenue from financing fees and custodian fees relating to margin financing for IPO subscription decreased mainly owing to the low volume of IPO issuance and low trading activity due to market factors such as the COVID-19 pandemic in Hong Kong and the timing of listing during the Period, which made it difficult for the Group to increase the revenue of the licensed company through the related business. During the Period, the Group commenced the process to close the business department in Sheung Wan and discontinue the futures and options business. Commission from relevant businesses declined as a result, while a considerable level of cost reduction and efficiency enhancement has been achieved. In addition, the Group enhanced project risk management in respect of existing projects and effectively reduced risk exposure and enhanced asset quality.

The segment result of the securities business segment for the Period amounted to loss of approximately HK\$29,132,000 as compared to loss of approximately HK\$3,234,000 for the Last Period.

### **Corporate Finance**

During the first half of 2022, given the impact of the default and credit issues of Chinese property developers, the COVID-19 pandemic, the Russian-Ukrainian situation and the substantial rate hikes by the United States Federal Reserve Board (“US Fed”), the stock and bond markets in Hong Kong were subject to notable volatility with substantial declines in the Hong Kong IPO market in terms of the total amount and volume of new issues, while the amount and volume of offshore US dollar bond issues also decreased. During the Period, the Group enhanced coordination and collaboration with the internal business lines of China Huarong and successfully assumed the crucial role of global coordinator in bond issuance projects. Despite the austere global economic and market conditions, the Group actively maintained close liaison with a number of large state-owned enterprises, financial institutions, city investment companies and real estate companies to identify opportunities for business expansion. Meanwhile, in connection with institutional business network, we have also established business partnerships with several prestigious institutional investors such as banks, funds, insurance companies and securities houses.

For the Period, there is no revenue generated from the corporate finance segment as compared to revenue of approximately HK\$3,242,000 for the Last Period. The segment result for the Period was gain of approximately HK\$207,000 as compared to loss of approximately HK\$1,928,000 for the Last Period.

### **Financial Services and Others**

Financial services and others is a business segment incorporated into the Group following the privatisation of HRIV, which includes the provision of finance lease services, business consulting services and other related services. It is primarily engaged in the provision of finance leasing services to the basic industries which conform to the PRC’s industrial policy and economic development trend by introducing financial leasing to those industries, including the logistics, automobile, aviation, solar energy and wind power generation and liquified natural gas sectors, to obtain rental income. During the Period, the Group strived to collect the returns on existing projects. In accordance with the Group’s business development strategy and positioning, the segment will continue to increase its effort in collection on existing projects, and there are currently no plans to invest in new finance leasing business projects. During the Period, the segment revenue was approximately HK\$25,187,000 (Last Period: approximately HK\$36,011,000). The segment loss for the Period amounted to approximately HK\$262,416,000 (Last Period: segment loss of approximately HK\$23,647,000), which was mainly attributable to the year-on-year increase in provision.

## PROSPECTS

In the second half of 2022, the global economic growth rate is expected to trend down under the combined effect of negative factors such as recurring pandemic outbreaks outside China, ongoing Russian-Ukrainian conflict and rapid interest rate hikes by the US Fed, as the overall market environment will be subject to challenges in multiple dimensions, such as cyclical risk, stagflationary risk, energy supply and industry supply chain. Given the complicated and austere economic conditions, China will face manifold challenges including the impact on the industry chain and supply chain as well as pressure on investment, consumer spending and export trade. As such, stable growth amidst the challenging environment will be the key to economic development. The Chinese economy will persist in the pursuit of stable progress, and its monetary policy will continue to play a dual role in volume and structural terms in an active bid to procure stability in the overall macro-economic picture.

The Group will closely monitor global developments and overcome any hurdles and difficulties. In connection with the asset management business, the Group will continue to be deeply engaged in China Huarong's principal business on "major non-performing assets" on the back of its experience and strengths afforded by business synergy in its own financial licenses and non-performing asset businesses, further expanding and promoting new offshore non-performing asset investment funds and high-yield bond fund products to enhance its product variety, reinforce its customer base and bolster its fundraising ability, with a view to genuinely expanding the scale of its asset management and increase management fee income. In the second half of the year, the bond market will continue to face market risks arising from the rate hikes and austere policy of the US Fed. Nevertheless, with the efficacy of policies implemented by China to stabilise the economy introduced since the beginning of the year starting to tell, we believe that the credit cycle of US dollar bonds of Chinese companies has bottomed out. In the second half of the year, the Group will be vigorously engaged in fundraising exercises and make strong efforts to advance the market-oriented operation and fund-based management of our bond portfolios. In connection with the securities business, the Group will further optimise the organisational structure of the licensed subsidiary to enhance its operational efficiency and continuously improve its operational compliance in genuine prevention and control of compliance and operational risks. A special emphasis will be placed on the institutional business and the intermediary business to increase revenue contributions from the institutional business. Meanwhile, the customer marketing channel will be further broadened by developing the connections with private banks and family business offices in Hong Kong. In connection with corporate finance, we will continue to develop the bond capital market business to consistently enhance the Group's influence in Hong Kong's bond capital market, while we will continue to actively expand various types of financial advisory and IPO sponsorship businesses. Meanwhile, the corporate finance business will fully leverage the strengths of the Huarong brand in the non-performing asset sector to develop financial advisory businesses relating to debt restructuring, in implementation of the strategy of differentiated development in the investment banking business.

## FINANCIAL REVIEW

### Capital Structure

As at 30 June 2022, the total number of issued shares of the Company (with par value of HK\$0.001 each) was 8,709,586,011.

### 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 30 June 2022, the Group had total cash and deposits with banks amounting to approximately HK\$2,376,696,000 as compared to approximately HK\$1,852,784,000 as at 31 December 2021, excluding client funds that were kept in separate designated bank accounts of approximately HK\$160,162,000 (31 December 2021: approximately HK\$215,590,000) and deposits in other financial institutions of approximately HK\$14,487,000 (31 December 2021: approximately HK\$14,457,000). As at 30 June 2022, 55% (31 December 2021: 56%) of the Group's cash and deposits with banks was denominated in HKD or RMB. The Group's gearing ratio as at 30 June 2022 was -420.13% as compared to -1,696.33% as at 31 December 2021, being calculated as borrowings over the Group's shareholders' equity. The increase in gearing was attributable to a decrease in the Group's shareholders' equity in the Period.

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 30 June 2022, the Group obtained shareholder loans from CHIH in an aggregate principal amount of approximately US\$555,115,000 (equivalent to approximately HK\$4,356,455,000) (31 December 2021: approximately US\$605,115,000 (equivalent to approximately HK\$4,718,726,000)) to support the business of the Group. Such loans were subject to interest at fixed annual interest rates ranging from 4.3% to 7.98% (31 December 2021: annual rates of 4.3% to 7.98%) and were repayable after one year and within eight years from the end of the reporting period (31 December 2021: in five months to eight years). During the Period, CHIH extended the due date of inter-company loans with a total balance of HK\$497,289,000 owed by the Group. Following the extension, there was no intra-company loans which would fall due within 12 months from 30 June 2022.

As at 30 June 2022, the Group had loans denominated in USD of US\$260,940,000 (equivalent to approximately HK\$2,047,816,000) from Right Select International Limited (31 December 2021: US\$260,940,000 (equivalent to approximately HK\$2,034,825,000)). The Group also had a RMB loan of RMB50,000,000 (equivalent to approximately HK\$58,466,000) from a fellow subsidiary (31 December 2021: RMB loan of RMB50,000,000 (equivalent to approximately HK\$61,155,000)).

As at 30 June 2022, the Group had utilised bank credit facilities of approximately HK\$1,599,000,000 (31 December 2021: approximately HK\$1,599,000,000), all subject to floating interest rates (31 December 2021: all subject to floating interest rates).

As at 30 June 2022, the Group had undrawn bank credit facilities of approximately HK\$1,334,914,000 (31 December 2021: approximately HK\$1,332,923,000), providing the Group with additional liquidity as and when required.

As at 30 June 2022, the Group was unable to comply with a financial covenant for a banking facility with loan amount of HK\$624 million. In August 2022, the Group had obtained a waiver from the bank, which continues to provide 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 banking 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 Period, all the licensed subsidiaries complied with the liquidity requirements under the Securities and Futures (Financial Resources) Rules.

### **Charges on Group Assets**

As at 30 June 2022, the Group had not pledged any time deposits (31 December 2021: nil) to secure the bank loan facilities of the Group.

### **Foreign Exchange Exposures**

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 the Hong Kong dollar is pegged to the United States dollar. 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**

The Group had no material contingent liabilities as at 30 June 2022 and 31 December 2021.

## Significant Securities Investment

As at 30 June 2022, the Group held 1,836,000 shares (31 December 2021: 1,836,000 ordinary shares) and invested into a secured convertible bond issued by ARTA TechFin Corporation Limited (formerly known as Freeman FinTech Corporation Limited) (“**Freeman**”), at the cost of HK\$7,803,000 and HK\$429,197,000, respectively. Freeman is a Cayman Islands incorporated company listed on the Main Board of the Stock Exchange (stock code: 279) principally engaged in financial businesses. The shares held by the Group represents 0.01% (31 December 2021: 0.01%) of the equity interests in Freeman. The respective fair values of the shares and convertible bond as at 30 June 2022 were HK\$330,000 and HK\$389,406,000, which aggregated to approximately 5% (31 December 2021: 4%) of the total assets of the Group. Therefore, the Group would like to supplement the above investments as a significant investment held by the Group for the Period. During the Period, the Group’s unrealized fair value loss on the shares of Freeman was HK\$99,000, the value of the investment into the secured convertible bond remained unchanged compared with last year.

This significant investment is not primarily held for trading. It was acquired by a subsidiary of HRIV in August 2017 and subsequently has been in default since April 2019. Freeman had previously preceded the temporary liquidation procedure and a provisional liquidator was designated. The provisional liquidator conducted an external price inquiry and bidding over the pledge of the project and finally selected a qualified bidder. The sales of the relevant collateral are still in progress.

## Provision for Impairment

The Group recorded net impairment loss of approximately HK\$819,437,000 for the Period, 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 29 June 2020. The collateral under the project consisted of shares of a listed company in Hong Kong. The market price of such shares continued to decline compared to the end of 2021 owing to external political and economic factors as well as the listed company’s internal operational and debt issues during the first half of 2022. The Group calculated the recoverable amount of the loan according to the market prices of the pledged shares, resulting in a further provision for impairment of approximately HK\$108 million in respect of such project for the Period.
- 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 de facto controller of the listed company. The listed company was ordered to be liquidated by the High Court of Hong Kong and was delisted in February 2021, while its de facto controller was also declared bankrupt. Currently, the liquidation of the delisted company is proceeding

slowly due to the pandemic. According to information obtained by the Group from the liquidator, the delisted company does not have sufficient assets and proceeds from asset liquidation might not be sufficient to pay the liquidation expenses. Based on prudent consideration, taking into account the progress of liquidation, the management provided full impairment provision in respect of the two projects and made further provision for impairment of approximately HK\$94 million for the Period.

- the debtors of two finance leasing projects of the Group are two companies principally engaged in wind power generation and solar energy power generation, respectively. As the companies are operating on tight cashflows and are affected by local subsidy policies, the companies had been unable to operate power generation in a normal manner for a period, and the guarantor and de facto controller had been included in the list of domestic discredited parties in China and are considered not to have the ability to make repayments. Given that the two projects would mainly rely on the liquidation of leased assets to source their repayments in future, and it would be difficult to dispose of the leased wind power and solar energy power generation equipment for cash, after taking into account the prevailing market conditions, the Group applied a further reduction adjustment on the value of these projects, based on the valuation of the same as at the end of 2021 resulting in a provision for impairment of approximately HK\$90 million for the Period in respect of these two projects.
- the debtor of a finance lease project of the Group is a company engaged in air cargo freight business which underwent a debt crisis in 2019 and is currently in the process of bankruptcy and reorganisation. The primary collaterals of the project comprise two cargo planes which have been grounded since September 2019. Any resumption of flight would be subject to substantial maintenance expenses due to the older age of the two cargo planes and operating cost due to increase in oil price in 2022. Given the unfavourable factors, and based on the principle of prudence, the management applied a certain discount to the estimated recoverable amount, resulting in further provision for impairment of approximately HK\$90 million for the Period in respect of the project.
- a project of the Group previously recorded as financial assets at fair value through profit or loss was reclassified as accounts receivable following the non-receipt of any payment against default put option price by the grantor or guarantor after the Group's issuance of a default notice and the exercise of the put option on 3 December 2021. Currently, the receivables are secured by shares of a Hong Kong-listed company and pledged by the land use right of a land site in China as collaterals. Trading in the shares of the said listed company has been suspended since April 2022 due to the delay in the publication of its 2021 results announcement. Taking into consideration the recoverable amount of the collaterals, the Group provided a substantial amount of impairment provision in respect of the project and made provision for impairment of approximately HK\$323 million for the Period.

- two real estate sector bonds, classified as the Group's financial assets at fair value through other comprehensive income, were subject to default in the first half of the year due to the ongoing deterioration of the industry and market environments and were classified as stage three assets. Based on prudent consideration, including the credit status of the issuers of the two bonds, the management provided for impairment based on the market value of the bonds as at the end of the Period and total impairment provision of approximately HK\$48 million for the Period was made in respect of the two bonds.

The Group will assess the expected credit risk and impairment of financial assets at amortised 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.

### **Interim Dividend**

The Board does not recommend the payment of any interim dividend for the Period (Last Period: nil).

### **EMPLOYEE AND REMUNERATION POLICY**

As at 30 June 2022, the Group employed a total of 60 employees (31 December 2021: 65 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.

## CHANGES IN DIRECTORS AND INFORMATION OF DIRECTORS

During the Period and up to the date of this announcement, changes in Directors of the Company are as follows:

- (1) Mr. Xu Xiaowu resigned as Chairman of the Board and an executive Director with effect from 17 June 2022 as he wished to devote more time to his family.
- (2) Mr. Wang Junlai resigned as an executive Director and the Chief Executive Officer with effect from 17 June 2022 owing to other commitments.
- (3) Mr. Zhang Xing has been the Chairman of the Board and a non-executive Director since 17 June 2022.
- (4) Mr. Chen Qinghua has been an executive Director and Chief Executive Officer since 17 June 2022.
- (5) Mr. Lu Xinzheng has been an executive Director since 17 June 2022.
- (6) Ms. Wang Qi resigned as a non-executive director with effect from 8 July 2022 due to changes in work arrangements.

Pursuant to Rule 13.51B of the Listing Rules, changes in information of Directors or chief executive of the Company subsequent to the date of the 2021 annual report of the Company are as follows:

- (1) Mr. Guan Huanfei, an Independent non-executive Director, has been an independent non-executive director of Guangdong – Hong Kong Greater Bay Area Holdings Limited (Stock Code: 1396) since 27 June 2022.
- (2) With effect from 15 July 2022, Mr. Hung Ka Hai Clement, an Independent non-executive Director, resigned as an independent non-executive director of SY Holdings Group Limited (stock code: 6069), whose shares are listed on the Stock Exchange. With effect from 18 July 2022, Mr. Hung Ka Hai Clement has been appointed as an independent supervisor of the supervisory committee of Ping An Insurance (Group) Company of China, Ltd. whose shares are both listed on the Stock Exchange (stock code: 2318) and Shanghai Stock Exchange (stock code: 601318).
- (3) Dr. Lam Lee G., an independent non-executive Director, has been an independent non-executive director of RENHENG Enterprise Holdings Limited (Stock Code: 3628) since 30 June 2022 and resigned as an independent non-executive director of National Arts Group Holdings Limited (Stock Code: 8228) since 25 July 2022.

- (4) Mr. Guan Huanfei was the chairman of the board and an executive director of Enterprise Development Holdings Limited (a company listed on the Main Board of the Stock Exchange (stock code: 1808)) (“**Enterprise Development**”) for the period from 2 June 2020 to 22 May 2021. The company was found by the Listing Committee of the Stock Exchange to be, among other things, in breach of Rule 2.13(2) of the Listing Rules by publishing inaccurate, incorrect and/or misleading information about an executive director of Enterprise Development in the appointment announcement dated 3 January 2021 and the notice of AGM of Enterprise Development dated 28 May 2021, but the relevant sanctions of the Stock Exchange did not involve Mr. Guan Huanfei, details of which are set out in the Statement of Disciplinary Action dated 18 July 2022 of the Stock Exchange (the “**Statement**”). Having considered the Statement and the information contained therein, the Board is of the view that the subject matter of the Statement does not in any way relate to the affairs of the Group and there is no evidence casting doubt upon Mr. Guan’s suitability as an independent non-executive Director, and the Board considers that the continuous holding of office by Mr. Guan as an independent non-executive Director is appropriate.
- (5) Mr. Ma Lishan, an independent non-executive Director, is a non-executive director of Silver Base Group Holdings Limited (“**Silver Base**”), which was incorporated in the Cayman Islands on 12 September 2007. Its principal business is the distribution of liquors and cigarettes and its shares are listed on the main board of the Stock Exchange (stock code: 886). On 11 November 2021, Silver Base filed a winding up petition with the Grand Court of the Cayman Islands (the “**Cayman Court**”) for the appointment of provisional liquidators to facilitate its financial restructuring. Silver Base was ordered to be wound up by the Cayman Court on 5 May 2022. The Hong Kong High Court also made a winding up order on 27 July 2022 and the Official Receiver was appointed as the provisional liquidator of Silver Base. Mr. Ma does not hold any management position in Silver Base, nor is he involved in its management and operation, and he is not subject to any claim for being a director. The Board considers that the relevant events do not in any way relate to the affairs of the Group, and there is no evidence casting doubt upon the suitability of Mr. Ma to serve as an independent non-executive Director, and the Board considers that it is appropriate for Mr. Ma to continue to serve as an independent non-executive Director.

## **EVENTS AFTER THE END OF THE PERIOD**

After the end of the Period, the Group has the following subsequent events:

To strengthen the capital of the Group and support its financing activities, on 29 August 2022, the Company entered into two subscription agreements with CHIH, under which the Company, as the issuer, agrees to issue to CHIH (1) 6.86 percent unsubordinated perpetual securities in a principal amount of US\$275 million on 13 September 2022; and (2) 6.86 percent unsubordinated perpetual securities in a principal amount of US\$215 million on 2 November 2022, both at an issue price equal to 100 percent of the respective principal amounts of the Perpetual Securities, and CHIH, as the subscriber, agrees to subscribe the Perpetual Securities on the respective closing dates at the issue price.



“CHIH”	China Huarong International Holdings Limited, a company with limited liability incorporated in Hong Kong and a controlling shareholder of the Company
“China” or “Mainland China” or “PRC”	People’s Republic of China
“China Huarong”	China Huarong Asset Management Co., Ltd.* (中國華融資產管理股份有限公司), a joint stock limited liability company incorporated in the PRC, the issued overseas listed foreign shares of which are listed on the Stock Exchange (stock code: 2799), and a controlling shareholder of the Company
“Company”	Huarong International Financial Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Stock Exchange (stock code: 993)
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	the Hong Kong dollar, the lawful currency of Hong Kong
“HKAS”	the Hong Kong Accounting Standards
“HKICPA”	the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“HRIV”	Huarong Investment Stock Corporation Limited (華融投資股份有限公司), an exempted company incorporated in the Cayman Islands with limited liability and a wholly-owned subsidiary of the Company upon completion of the privatization of HRIV
“Last Period”	the period for the six months ended 30 June 2021

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, modified or otherwise supplemented from time to time
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Period”	the period for the six months ended 30 June 2022, being the financial reporting period of this announcement
“Right Select”	Right Select International Limited, a company with limited liability incorporated in the British Virgin Islands and a controlling shareholder of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollar, the lawful currency of the United States
“%”	per cent

By order of the Board  
**Huarong International Financial Holdings Limited**  
**Zhang Xing**  
*Chairman*

Hong Kong, 29 August 2022

*As at the date of this announcement, the Board comprises Mr. Zhang Xing as non-executive Director, Mr. Chen Qinghua and Mr. Lu Xinzheng as executive Directors, and Mr. Hung Ka Hai Clement, Mr. Ma Lishan, Mr. Guan Huanfei and Dr. Lam Lee G. as independent non-executive Directors.*