



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)



2024 INTERIM REPORT

CONTENTS

2 Corporate Information

4 Management Discussion and Analysis

16 Independent Review Report

Condensed Consolidated Financial Statements

18 Condensed Consolidated Statement of Profit or Loss

19 Condensed Consolidated Statement of Comprehensive Income

20 Condensed Consolidated Statement of Financial Position

22 Condensed Consolidated Statement of Changes in Equity

24 Condensed Consolidated Statement of Cash Flows

26 Notes to the Interim Financial Information

64 Supplementary Information

69 Definitions



CORPORATE INFORMATION

Board of Directors

Non-executive Director

Mr. Zhang Xing (*Chairman*)

Executive Directors

Mr. Chen Qinghua (*Chief Executive Officer*)

Mr. Lu Xinzheng

Independent Non-executive Directors

Mr. Hung Ka Hai Clement

Mr. Ma Lishan

Mr. Guan Huanfei

Audit Committee

Mr. Hung Ka Hai Clement (*Chairman*)

Mr. Ma Lishan

Mr. Guan Huanfei

Remuneration Committee

Mr. Guan Huanfei (*Chairman*)

Mr. Hung Ka Hai Clement

Mr. Ma Lishan

Nomination Committee

Mr. Hung Ka Hai Clement (*Chairman*)

Mr. Zhang Xing

Mr. Ma Lishan

Mr. Guan Huanfei

Executive Committee

Mr. Chen Qinghua (*Chairman*)

Mr. Lu Xinzheng

Risk Management Committee

Mr. Ma Lishan (*Chairman*)

Mr. Zhang Xing

Mr. Chen Qinghua

Mr. Lu Xinzheng

Sustainable Development Committee

Mr. Guan Huanfei (*Chairman*)

Mr. Chen Qinghua

Mr. Lu Xinzheng

Authorised Representatives

Mr. Lu Xinzheng

Ms. Luo Xiao Jing

Company Secretary

Ms. Luo Xiao Jing

Registered Office

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Resident Representative

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Bermuda

Principal Bankers

Bank of Communications Co., Ltd.
Hong Kong Branch
Bank of China (Hong Kong) Limited
China CITIC Bank International Limited

Auditor

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Registered Public Interest Entity Auditor

Principal Share Registrar and Transfer Office

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Bermuda

Hong Kong Branch Share Registrar and Transfer Office

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Stock Code

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Website

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MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

For the Period, the Group recorded a revenue of approximately HK\$48,697,000 (Last Period: approximately HK\$64,436,000), net gain on financial assets at fair value through profit or loss of approximately HK\$28,375,000 (Last Period: net loss of approximately HK\$180,695,000), net loss arising from disposal of financial assets at amortised cost of HK\$10,066,000 (Last Period: nil). Therefore, total revenue and investment losses described above amounted to approximately HK\$67,006,000 (Last Period: net loss of approximately HK\$116,259,000). Net profit for the Period was approximately HK\$142,581,000 (Last Period: net loss of approximately HK\$458,361,000), while loss attributable to the Shareholders for the Period was approximately HK\$57,447,000 (Last Period: loss of approximately HK\$658,804,000). The decrease in net loss for the Period was mainly due to two events, (i) a reversal of provision for impairment on a loan due to an increase in fair value of a collateral, estimated with reference to the quoted price of the pledged shares of a listed company as of 30 June 2024; and (ii) a net gain on financial assets at fair value through profit or loss recognized during the Period compared to a net loss in the corresponding period of 2023.

Basic loss per Share was HK0.7 cents for the Period as compared to basic loss per Share of HK7.6 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.

Business Review

In the first half of 2024, the global economy still faced significant uncertainty amidst rising geopolitical tensions and unyielding interest rates in the market. In the complex and volatile external environment, the economic conditions of Mainland China and Hong Kong remained challenging. The Group persisted in progress with prudence as it continued to advance the liquidation and cash recouping of risk projects with stronger risk control efforts. Meanwhile, we actively refocused on our principal business, seized the market opportunities during this special period and strengthened customer marketing so as to explore business opportunities, bringing into full play the synergies of our licensed businesses to drive business transformation.

Securities

Securities business segment includes the provision of online and offline brokerage services, custodian services, margin financing and investment advisory services. During the first half of 2024, the Group persisted in compliant business operation and expedited business transformation with a focus on its principal licensed business and continued with its effort in cost reduction, efficiency enhancement, diversification of revenue sources and conservation of resources with more robust marketing and business development effort, against a complicated economic environment and lacklustre market sentiments. In connection with the development of financial technology, a brand new version of the mobile APP “Huarong Caifutong (華融財富通)” has been in smooth operation. In connection with its custodian business, the Group has enhanced business synergy and assisted in the disposal of stock assets in existing projects within the system to increase intermediary income. In connection with the management of existing projects, the Group further improved its risk control measures; at the same time, we 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\$5,050,000 as compared to approximately HK\$2,743,000 for the Last Period. Total revenue increased on a year-on-year basis, which was attributable mainly to increase in income from intermediary business and stronger coordinating effect attained by CCFAMC’s major business of non-performing assets. As a result of the increase in the revenue and other income and gains for the Period, decrease in impairment of advances to customers in margin financing coupled with the effective implementation of cost reduction and efficiency enhancement to further reduce the operating costs, the segment result generated from the securities segment recorded a profit of approximately HK\$2,747,000 for the Period as compared to a loss of approximately HK\$11,292,000 for the Last Period.

Asset Management and Direct Investment

The Group’s asset management and direct investment segment is engaged in the provision of asset management and fund management services and investment of its own funds in equity, debt, funds, derivative instruments and other financial products. During the first half of 2024, the asset management and direct investment business was subject to considerable challenge, as the general investment sentiment in Hong Kong turned cautious amidst the uncertainty about the rate cuts of the Fed and the unyielding high USD interest rate. To address changes in the market, the Group enhanced its risk control measures in relation to market risks and credit risks and ensured stable performance of its existing assets subject to persistent risk control. Meanwhile, we continued to focus on asset management within the sector of non-performing assets, in particular investment and financing for central and state-owned enterprises as well as relief for distressed assets enterprises, with a view to striving for countercyclical investment gains.

For the Period, the revenue from this segment was approximately HK\$46,440,000, versus segment revenue of approximately HK\$58,642,000 for the Last Period. The net gain on financial assets at fair value through profits or loss was approximately HK\$28,375,000 compared to a net loss of approximately HK\$180,695,000 for the Last Period. As a result of a decrease in the provision for impairment of investments projects and the realisation of a net gain on financial assets at fair value through profit or loss, the segment result for the Period recorded a profit of approximately HK\$159,690,000, as compared to loss of approximately HK\$360,398,000 for the Last Period.

Corporate Finance

Against the backdrop of high interest rates and slowdown in global macroeconomic growth, the overall Hong Kong stock market was sluggish in the first half of 2024, with a total of 30 listing projects completed in the market, representing a decrease of 9.1% as compared to the same period of 2023; and the gross proceeds from initial public offering amounted to HK\$13,178 million, representing a decrease of 26.2% as compared to the same period in 2023. Confronted with a complex and challenging market environment, in the first half of 2024, on one hand, the Company continued to advance the transformation of its licensed business, as it strengthened compliance awareness and enhanced risk control, whilst seeking improvements in team cohesion, cost reductions, cost effectiveness and operational efficiency. On the other hand, the Company has established a list of clients for marketing visits in coordinated development with CCFAMC's non-performing assets business to play an instrumental supporting role, while forming effective synergies with the asset management team of CFAIH in a gradual endeavour to forge its advantages in differentiated operations and achieve breakthrough.

For the Period, nil revenue was generated from the corporate finance segment, versus segment revenue of HK\$1,551,000 for the Last Period. The segment result was loss of approximately HK\$2,140,000 as compared to loss of approximately HK\$1,677,000 for the Last Period due to a decrease in revenue during the Period.

Financial Services and Others

The Group's financial services and others includes provision of finance lease services and other related services in Mainland China. It is focusing on providing services to the basic industries which conform to the PRC's industrial policy and economic development trend, by way of introducing financial leasing to those industries, including the car leasing and cable processing, with a view to obtaining rental income. We were focused on the disposal of existing projects during the Period and there was investment in new projects.

During the Period, the revenue from this segment was approximately HK\$667,000, as compared to HK\$1,430,000 for the Last Period. The segment loss increased to approximately HK\$39,201,000, as compared to loss of approximately HK\$30,322,000 for the Last Period, which was mainly attributable to the net losses of approximately HK\$10,066,000 (Last Period: nil).

Prospects

The Group anticipates sustained challenging conditions for the second half of the year. To address multiple uncertainties in China and elsewhere, the Group will overcome hurdles with focused efforts and seize opportunities in this special period of the market.

In connection with the securities business, the Group will continue to procure cost reduction and efficiency enhancement on the basis of ensuring operational compliance, to further enhance its operational efficiency and quality of customer services. An 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 bolstering business synergy and product research and development efforts. We will explore the direction of transformation and development to cultivate our distinctive competitive advantages. In connection with asset management business, as the high interest rate cycle could be longer than expected given the complex and volatile environment, the Group will grasp special investment opportunities present in the current market, and make deeper countercyclical efforts in the “major non-performing asset” segment, fully taking advantage of CCFAMC’s business experience and synergy strengths in non-performing asset industry. The Group will focus on central and state-owned enterprise, material reorganisation and relief of distressed enterprises, among others, in vigorous development of countercyclical asset management businesses. In connection with corporate finance business, we will seek to serve the development of the real economy and answer the service demands of enterprises in terms of corporate finance and capital market. With a special emphasis on the investment banking business of major non-performing assets, we will offer investment banking services in debt restructuring, asset stripping and asset injection for listed companies, elevate our resource integration and asset revitalization capabilities, and provide “financing” and “intelligence pooling” services to listed companies.

Financial Review

Capital Structure

As at 30 June 2024, the total number of issued Shares of the Company (with par value of HK\$0.001 each) was 8,709,586,011. Total Shareholders’ equity was approximately HK\$-1,712,259,000 (31 December 2023: approximately HK\$-1,656,654,000).

Liquidity and Financial Resources

The Group regularly reviews its liquidity position and actively manages liquidity and financial resources according to the changes in economic environment and business development needs. As at 30 June 2024, the Group had total cash and deposits with banks amounting to approximately HK\$627,595,000 as compared to approximately HK\$1,581,355,000 as at 31 December 2023, excluding client funds that were kept in separate designated bank accounts of approximately HK\$95,036,000 (31 December 2023: approximately HK\$95,828,000) and deposits in other financial institutions of approximately HK\$13,809,000 (31 December 2023: approximately HK\$13,527,000). As at 30 June 2024, 43% (31 December 2023: 67%) of the Group's cash and deposits with banks was denominated in HKD or RMB. The Group's gearing ratio as at 30 June 2024 was 150% as compared to 130% as at 31 December 2023, being calculated as borrowings over the Group's total assets. The change in gearing was attributable to a decrease in the Group's total assets 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 2024, the Group obtained shareholder loans and perpetual capital bonds from CFAIH in an aggregate principal amount of approximately US\$1,269,173,000 (equivalent to approximately HK\$9,911,479,000) (31 December 2023: approximately US\$1,069,233,000 (equivalent to approximately HK\$8,352,179,000)) to support the business of the Group. The proceeds had been applied in full to working capital immediately after closing. The Shareholder loans were subject to interest at fixed annual interest rates ranging from 5.8% to 6.86% (31 December 2023: annual rates of 4.3% to 7.98%) and were repayable within one to five years from the end of the Period (31 December 2023: in one to six years from the end of the year).

As at 30 June 2024, the Group had no loan denominated in USD from Right Select International Limited (direct controlling shareholder of the Company) (31 December 2023: US\$260,940,000 (equivalent to approximately HK\$2,039,415,000)). The Group also had a RMB loan of RMB26,000,000 (equivalent to approximately HK\$28,488,000) from a fellow subsidiary (31 December 2023: RMB loan of RMB50,000,000 (equivalent to approximately HK\$55,174,000)). Such loan was subject to interest at a fixed annual interest rate of 4.75% (31 December 2023: annual rates of 3.87% to 5.81%) and were repayable in three years from the end of the Period (31 December 2023: in one to six years from the end of the Year).

As at 30 June 2024, the Group had utilised bank credit facilities of approximately HK\$200,000,000 (31 December 2023: approximately HK\$820,000,000), subject to a floating interest rate (31 December 2023: all subject to floating interest rates).

As at 30 June 2024, the Group had undrawn bank credit facilities of approximately HK\$620,000,000 (31 December 2023: approximately HK\$886,626,000), providing the Group with additional liquidity as and when required.

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 flexible 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 2024, the Group had not pledged any time deposits (31 December 2023: 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 2024 and 31 December 2023.

Significant Investments

As at 30 June 2024, the Group held the following significant investments:

- (1) 1,836,000 ordinary shares (31 December 2023: 1,836,000 ordinary shares) and a secured convertible bond issued by ARTA TechFin Corporation Limited (formerly known as Freeman FinTech Corporation Limited) ("**Freeman**"), at a cost of HK\$7,803,000 and HK\$429,197,000, respectively. Freeman is a company incorporated in Cayman Islands and listed on the Main Board of the Stock Exchange (stock code: 279), principally engaging in financial businesses. The shares held by the Group represents 0.01% (31 December 2023: 0.01%) of the equity interests in Freeman. The respective fair values of the shares and convertible bond as at 30 June 2024 were HK\$48,000 and HK\$278,133,000 (31 December 2023: HK\$75,000 and HK\$278,133,000 respectively), which aggregated to approximately 10.51% (31 December 2023: 7.10%) of the total assets of the Group. During the Period, the Group's unrealised fair value loss on the shares of Freeman was HK\$27,000.

This significant investment is not primarily held for trading. It was acquired by a subsidiary of HRIV in August 2017 as a long-term investment and subsequently has been in default since April 2019. Freeman had previously entered into the temporary liquidation procedure and a provisional liquidator was appointed. The provisional liquidator conducted an external price inquiry and bidding over the pledge of the project. However, a qualified bidder finally selected was unable to obtain the requisite regulatory approval(s). Therefore, the provisional liquidator is seeking another suitable buyer for the disposal of the collaterals.

- (2) The outstanding principal balance of HK\$250,000,000 (31 December 2023: HK\$250,000,000) and accrued interest of HK\$168,950,000 (31 December 2023: HK\$139,216,000) in respect of the senior secured bonds (the “**Bonds**”) of Superactive Group Company Limited (“**Superactive Group**”) held by the Group. The aggregate principal amount of bonds subscribed by the Group was HK\$300,000,000. Superactive Group, a company incorporated in Bermuda and listed on the Main Board of the Stock Exchange (Stock Code: 176), is principally engaged in the manufacture of electronic products, property management and regulated financial service businesses. As Superactive Group has not redeemed the principal amount of the bonds and paid the related interest as scheduled, the management expected low recoverability of the interest receivable and, out of prudent considerations, made a provision for full impairment of the interest accrued for the current year. The fair value of the bonds as at 30 June 2024 was HK\$237,874,000 (31 December 2023: HK\$237,874,000), representing approximately 8.98% (31 December 2023: 6.07%) of the Group’s total assets.

The bonds have been in default since March 2021 and the Group is actively pushing forward its various debt disposal tasks.

- (3) 20,000 Class B participating shares of All-Stars SP IV A Limited (the “**Fund**”, a corporate fund), at a cost of US\$20,000,000. The total assets of the Fund as at 31 December 2023 were approximately US\$81.92 million, with the principal asset being the equity interest in TUJIA.COM INTERNATIONAL (“**TUJIA**”), where the Class B participating shares held by the Group were mainly used for the investment in Tranche E preference shares of TUJIA. The fair value of the investment as at 30 June 2024 was US\$18,948,000 (31 December 2023: US\$18,962,000), representing approximately 5.59% of the total asset value of the Group (31 December 2023: 3.78%).

The Fund will expire at the end of September 2024 and will make in-specie distribution upon expiry. Subsequently, the Group intends to seek exit opportunities through equity transfer or disposal in secondary market.

- (4) The loan arrangement with Crown International Corporation Limited. This project was originally a margin financing project, which converted the advances to customers in margin financing into other loans and debt instruments through a deed of assignment on 29 June 2020 (the “**Loan**”). The total amount of the Loan was HK\$618,013,000. The collaterals under the Loan primarily consisted of ordinary shares of Crown International Corporation Limited (the “**Crown International**”). Crown International is a company incorporated in Hong Kong and listed on the Main Board of the Stock Exchange (stock code: 727). Crown International and its subsidiaries are principally engaged in the business of property investment, property development, hotel operations, comprehensive healthcare business and trading of premium white spirit. As at 30 June 2024, the Group held 2,013,932,000 pledged shares, representing approximately 57.01% of the issued shares of Crown International (31 December 2023: 2,013,932,000 shares, representing 57.01%). The fair value of the pledged shares as at 30 June 2024 was HK\$306,885,000 (31 December 2023: HK\$59,358,000), representing approximately 11.59% of the total asset value of the Group (31 December 2023: 1.51%). The trading in shares of Crown International was suspended in 2023, and was subsequently resumed in May 2024. The Group measured the fair value of the pledged shares based on their market price as at 30 June 2024 and reversed the provision for impairment of the project of approximately HK\$247,527,000 during the Period in light of the increase in the fair value of the collateral.

The Group intends to seek exit opportunities by way of debt assignment or phased disposal of collaterals.

Provision for Impairment

(I) *Overall provision for impairment*

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

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

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

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

The Group recorded net reversal of impairment of approximately HK\$210 million for the Period, which mainly attributable to the following factors:

- advances to customers in margin financing under a margin financing project was converted into other loans and debt instruments through a deed of assignment on 29 June 2020. The collateral under the project mainly consists of shares of a listed company in Hong Kong, the trading of which was suspended in 2023 and subsequently resumed in May 2024. The Group estimated its fair value according to the market prices of the pledged shares as at 30 June 2024, resulting in a reversal of impairment provision of approximately HK\$248 million in respect of such project for the Period due to increase in the fair value of the collateral.
- a fixed income project of the Group entered into in 2017 for investment purpose, the main collaterals of which are equity interests of a project company holding shops in Lijiang, the PRC. The project was classified as stage three in mid-2021 due to consecutive overdue situations. In view of that, the management expected low chances to recover interest receivables for the project and made full impairment provision for the interest accrued out of prudence. The provision for impairment made during the Period amounted to approximately HK\$30 million.

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 projects 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 through various means, including legal actions and disposal of collaterals.

(II) Provision for impairment of publicly issued bonds

The Group invested in publicly-issued bonds according to the investment strategy. These bonds are classified as financial assets at fair value through other comprehensive income based on the Business Model Test in accordance with the applicable accounting standard. Fair values of these bonds are measured at their open market prices. In respect of the estimation of expected credit losses (“**ECL**”) on these publicly-issued bonds, these bonds are classified into stages 1, 2 or 3 in accordance with the applicable accounting standard. The Risk Management Department of the Company verifies and assesses the information obtained by frontline business teams during their risk management process, and determines the stage of these bonds for provision of ECL.

The amount of impairment of publicly-issued bonds under stage 1 and stage 2 is determined from the ECL model, which is developed by the Company with the assistance of an independent third-party consultant, whereby impairment is measured based on factors such as probability of default, loss given default and exposure at default. Having considered that fair values of these bonds adequately indicate the recoverable value, the amount of impairment of stage 3 publicly-issued bonds is determined according to the market values of these bonds as at the end of a reporting period.

The Group made a net reversal of impairment of HK\$8 million for its financial assets at fair value through other comprehensive income for the Period. The investment cost of the main bond products involved is HK\$352 million and its carrying value is HK\$83 million, with the remaining maturity mainly ranging from one to five years at a coupon rate ranging from 3% to 16% per annum.

(III) Finance lease business and provision for impairment

Impairment provision for finance lease projects

As one of the financial services of the Group, the Company provides finance lease services in Mainland China through its indirectly wholly-owned subsidiary Zhongju (Shenzhen) Financial Leasing Co., Ltd. (“**Zhongju Financial Leasing**”). Zhongju Financial Leasing is a wholly-owned subsidiary of HRIV, and has been consolidated into the Group since the privatization by the Company in November 2020.

Zhongju Financial Leasing provides finance lease services mainly by way of sale-and-leaseback model, under which the lessee assigns the ownership of its properties to the lessor and leases the properties back from the lessor for financing purposes. In practice, a lessee enters into an equipment sale-and-purchase agreement with Zhongju Financial Leasing for the sale of the leased property/equipment to Zhongju Financial Leasing, which will pay the consideration to acquire the ownership of such leased property and then enter into a sale-and-leaseback agreement with the lessee for the lease of the property back to the lessee, whereby the lessee pays rental installments to Zhongju Financial Leasing according to the payment schedule.

As at 30 June 2024, Zhongju Financial Leasing held three outstanding finance lease projects, which were all initially invested back in 2017. The total carrying amount of these projects as at the same date was approximately HK\$46 million, which accounted for approximately 1.73% of the Group’s total assets.

These projects are entered with various counterparties who operate in car leasing and cable and wire processing. Geographically, all finance lease businesses are conducted in Mainland China, including Guangdong Province, Anhui Province, etc.

Based on the Group's current business development strategy and positioning, finance lease business will continue focusing on the recovery of the outstanding projects. The Group does not have any current plan for investment in new finance lease projects in the near future.

Principal terms of finance lease projects

Depending on credit conditions of customers and the quality of collaterals, duration of finance lease projects generally ranges from three to five years while interest rates of finance lease projects range from 6.8% per annum to 9.75% per annum under the respective sale-and-lease back agreements. Margin deposit at a range from 2% to 7% of the financing amount is received. Customers shall repay the outstanding balance on a quarterly basis.

In addition, finance lease receivables are pledged by electrical cable production equipment, passenger vehicles, as well as equity interests in companies.

Credit risk assessment and impairment provision for finance lease projects

All the finance lease projects held by the Group, are classified as stage 3 for ECL estimation. During the Period, the Company performed analysis and forecast on the realisable values of the leased assets and the pledged collaterals for each finance lease project, with a total provision for impairment of approximately HK\$11 million made in respect of three projects during the Period.

Key internal control measures

The Group adopts the following internal control measures when conducting the finance lease business:

1. Daily risk monitoring

Zhongju Financial Leasing conducts ongoing daily tracking and monitoring of the risks associated with invested projects. In the event of any delay in lease payments or breach of other contract terms by the debtors, the alert signal will be activated and Zhongju Financial Leasing will report the conditions to the risk department and management of the Company in a timely manner, and adopt active measures to alleviate the situation. Meanwhile, Zhongju Financial Leasing also closely monitors the operating and financial conditions of lessees and guarantors, requests them to furnish their financial statements each quarter, conducts on-site visits and inspection of the debtors to obtain information on their business updates, conditions of the leased assets and project progress, and conducts ongoing assessment and analysis of risks associated with them. The Group will also appoint external agencies to conduct valuation of the leased assets at least annually to monitor movements in the value of the leased assets.

2. Actions taken in respect of overdue projects

In the event of overdue loans, Zhongju Financial Leasing will issue a loan call demand note to the debtor and maintain close liaison with the debtor and report the latest progress to the Company's Risk Management Department and the management in a timely manner, striving to identify appropriate solutions as soon as practicable to eliminate or reduce the project risk. If both parties are unable to reach a settlement before a specified deadline and the risk cannot be alleviated, the Company will resort to a variety of means such as litigation, transfer of credit exposures and introduction of investors to undergo debt restructuring, among others, depending on the current risk conditions of the project. In respect of finance lease projects which are in stage 3, the Company has taken actions to collect payments and will endeavour to divest the project through the aforementioned means.

3. Management and decision-making process

The Company manages its finance lease projects in accordance with the project management requirements for creditor right projects. The Company's Risk Management Department assesses the impairment of financial assets at amortised cost and financial assets at fair value through other comprehensive income on an ongoing basis and communicates with the management and/or the Board in a timely manner in respect of the impact of relevant events on specific projects and on the Group's financial report. The Company's management reviews on a quarterly basis the results of risk classification for credit right projects, including finance lease projects, as examined by the Risk Management Department and reviews on a half-yearly basis the impairment provision amount of such projects as examined by the Risk Management Department, and makes recommendations to the Board accordingly. At the Board level, the Audit Committee convenes a regular meeting each quarter to discuss with the management on the impaired projects and review the audit/review results reported by the external auditor in respect of material accounting matters during the interim review and year-end audit; the Risk Management Committee convenes meetings on a half-yearly basis to receive reports on the development of the Company's risk management organisation and systems, key projects risk updates and impairment provisions and make recommendations for improvement, and supervises the ongoing improvement of the Group's risk and internal control mechanism. The Board is responsible for the final approval of the Company's interim and annual financial reports.

Employee And Remuneration Policy

As at 30 June 2024, the Group employed a total of 13 employees (31 December 2023: 16 employees). The Group's recruitment and promotion of staff is based on consideration of multiple factors, such as job nature, market rates, relevant experience, individual merits and development potential of the employees, 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, group medical plans and group life insurance, 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.

INDEPENDENT REVIEW REPORT



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Quarry Bay, Hong Kong

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香港鰂魚涌英皇道979號
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TO THE BOARD OF DIRECTORS OF
HUARONG INTERNATIONAL FINANCIAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 18 to 63, which comprises the condensed consolidated statement of financial position of Huarong International Financial Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) as at 30 June 2024 and the related condensed consolidated statement of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young

Certified Public Accountants

Hong Kong

30 August 2024

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

		For the six months ended 30 June	
		2024	2023
	Notes	(Unaudited) HK\$'000	(Unaudited) HK\$'000
REVENUE			
Commission and fee income	5	2,350	6,119
Interest income	5		
Interest income calculated using the effective interest method		40,187	44,275
Others		5,380	14,042
Investment income	5	780	–
		48,697	64,436
Net gain/(loss) on financial assets at fair value through profit or loss		28,375	(180,695)
Net loss arising from disposal of financial asset at amortised cost		(10,066)	–
Other income and gains or losses, net		729	32,407
Brokerage and commission expenses		(7)	–
Administrative and other operating expenses		(25,057)	(77,989)
Reversal of impairment/(impairment losses), net		209,942	(132,951)
Finance costs	6	(134,039)	(162,847)
PROFIT/(LOSS) BEFORE TAX	7	118,574	(457,639)
Income tax credit/(expense)	8	24,007	(722)
PROFIT/(LOSS) FOR THE PERIOD		142,581	(458,361)
Attributable to:			
Equity holders of the Company		(57,447)	(658,804)
Holder of perpetual capital securities		200,028	200,443
		142,581	(458,361)
BASIC LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9	(HK0.7 cents)	(HK7.6 cents)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	For the six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	142,581	(458,361)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Fair value gain/(loss) on financial assets at fair value through other comprehensive income	5,479	(20,180)
Net (reversal of)/provision for impairment of financial assets at fair value through other comprehensive income included in profit or loss	(7,746)	30,153
Exchange differences on translation of foreign operations, net	4,333	20,807
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	2,066	30,780
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	144,647	(427,581)
Attributable to:		
Equity holders of the Company	(55,381)	(628,024)
Holder of perpetual capital securities	200,028	200,443
	144,647	(427,581)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

	Notes	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,346	2,464
Other long term assets		1,043	1,043
Intangible assets		2,350	2,350
Right-of-use assets		527	668
Financial assets at fair value through profit or loss	10	578,686	869,652
Financial assets at fair value through other comprehensive income	11	23,143	21,286
Other loans and debt instruments	14	662,551	414,338
Total non-current assets		1,269,646	1,311,801
CURRENT ASSETS			
Advances to customers in margin financing	15	1,197	11,431
Accounts receivable	16	1,034	243,646
Prepayments, deposits and other receivables		50,208	54,664
Financial assets at fair value through profit or loss	10	454,890	381,357
Financial assets at fair value through other comprehensive income	11	59,821	112,552
Finance lease receivables	13	45,812	84,477
Amounts due from related parties		28,609	27,467
Tax recoverable		161	161
Restricted bank balances	17	95,036	95,828
Deposits in other financial institutions		13,809	13,527
Cash and deposits with banks	18	627,595	1,581,355
Total current assets		1,378,172	2,606,465

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

	Notes	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
CURRENT LIABILITIES			
Accounts payable	19	99,200	98,559
Other liabilities, payables and accruals	20	155,967	159,236
Interest-bearing borrowing	21	200,000	2,320,319
Repurchase agreements	23	–	54,019
Amounts due to related parties		74,128	80,141
Tax payable		49,551	74,781
Lease liabilities		660	812
Total current liabilities		579,506	2,787,867
NET CURRENT ASSETS/(LIABILITIES)		798,666	(181,402)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,068,312	1,130,399
NON-CURRENT LIABILITIES			
Other liabilities, payables and accruals	20	3,504	3,504
Interest-bearing borrowings	21	3,777,067	2,783,549
Total non-current liabilities		3,780,571	2,787,053
NET LIABILITIES		(1,712,259)	(1,656,654)
EQUITY			
Share capital	22	8,710	8,710
Share premium and reserves		(7,962,380)	(7,906,999)
Equity attributable to owners of the Company		(7,953,670)	(7,898,289)
Perpetual capital securities classified as equity instruments	24	6,241,411	6,241,635
Total equity		(1,712,259)	(1,656,654)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus (Note i) HK\$'000	Capital reserve (Note ii) HK\$'000	Statutory reserve (Note iii) HK\$'000	Currency translation reserve HK\$'000	FVTOCI investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Perpetual capital securities HK\$'000	Total equity HK\$'000
At 1 January 2024 (audited)	8,710	3,220,249	139,615	636,129	31,973	31,359	(12,676)	(11,953,648)	(7,898,289)	6,241,635	(1,656,654)
Loss for the period	-	-	-	-	-	-	-	(57,447)	(57,447)	200,028	142,581
Other comprehensive income for the period:											
Fair value gain on financial assets at fair value through other comprehensive income	-	-	-	-	-	-	5,479	-	5,479	-	5,479
Net provision for impairment of financial assets at fair value through other comprehensive income included in profit or loss	-	-	-	-	-	-	(7,746)	-	(7,746)	-	(7,746)
Exchange differences on translation of foreign operations, net	-	-	-	-	-	4,333	-	-	4,333	-	4,333
Reclassification adjustments for a foreign operation disposed of during the period	-	-	-	-	-	(230)	-	230	-	-	-
Total comprehensive income for the period	-	-	-	-	-	4,103	(2,267)	(57,217)	(55,381)	200,028	144,647
Distributions relating to perpetual capital securities	-	-	-	-	-	-	-	-	-	(200,252)	(200,252)
At 30 June 2024 (unaudited)	8,710	3,220,249	139,615	636,129	31,973	35,462	(14,943)	(12,010,865)	(7,953,670)	6,241,411	(1,712,259)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus (Note i) HK\$'000	Capital reserve (Note ii) HK\$'000	Statutory reserve (Note iii) HK\$'000	Currency translation reserve HK\$'000	FVTOCI investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Perpetual capital securities HK\$'000	Total equity HK\$'000
At 1 January 2023 (audited)	8,710	3,220,249	139,615	636,129	31,973	22,878	(48,563)	(10,986,357)	(6,975,366)	6,242,484	(732,862)
Loss for the period	-	-	-	-	-	-	-	(658,804)	(658,804)	200,443	(458,361)
Other comprehensive income for the period:											
Fair value loss on financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(20,180)	-	(20,180)	-	(20,180)
Net provision for impairment of financial assets at fair value through other comprehensive income included in profit or loss	-	-	-	-	-	-	30,153	-	30,153	-	30,153
Exchange differences on translation of foreign operations, net	-	-	-	-	-	20,807	-	-	20,807	-	20,807
Total comprehensive income for the period	-	-	-	-	-	20,807	9,973	(658,804)	(628,024)	200,443	(427,581)
Distributions relating to perpetual capital securities	-	-	-	-	-	-	-	-	-	(154,297)	(154,297)
At 30 June 2023 (unaudited)	8,710	3,220,249	139,615	636,129	31,973	43,685	(38,590)	(11,645,161)	(7,603,390)	6,288,630	(1,314,760)

Notes:

- (i) Under the Bermuda Companies Act, the Company's contributed surplus is distributable to shareholders under certain circumstances.
- (ii) The capital reserve represents deemed contribution arising from the disposal of subsidiaries to China Huarong Overseas Investment Holdings Co., Limited ("**Huarong Overseas**"), a fellow subsidiary of the Group.
- (iii) Pursuant to the Article of the Company Law of the People's Republic of China (the "**PRC**"), the entity established in the PRC is required to appropriate 10% of its net profit to statutory reserve until the balance reaches 50% of its registered capital.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	For the six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	118,574	(457,639)
Total non-cash adjustments	(149,366)	457,010
Total working capital adjustments	457,236	795,053
Cash generated from operations	426,444	794,424
Tax paid	–	(722)
Interest received	12,545	19,715
Net cash flows from operating activities	438,989	813,417
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received	780	–
Purchases of items of property, plant and equipment	–	(874)
Proceeds from disposal of items of property, plant and equipment	–	465
Proceeds from disposal of financial assets at fair value through other comprehensive income	53,789	10,842
Proceed from disposal of finance lease receivables	18,146	–
Net cash flows from investing activities	72,715	10,433
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayment)/drawdown of interest-bearing borrowings	(1,260,545)	20,178
Interest paid	(1,693)	(160,898)
Net changes from amount from/to related parties	(7,155)	(3,450)
Repayment of lease liabilities	(152)	(28,217)
Distribution to perpetual capital securities holder	(200,252)	(154,297)
Net cash flows used in financing activities	(1,469,797)	(326,684)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	For the six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(958,093)	497,166
Cash and cash equivalents at the beginning of the period	1,581,355	1,973,114
Effect of foreign exchange rate changes, net	4,333	20,807
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	627,595	2,491,087
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	627,595	1,590,323
Time deposits with original maturity of less than three months	–	900,764
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	627,595	2,491,087

NOTES TO THE INTERIM FINANCIAL INFORMATION

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**” or “**HKEx**”). The principal activity of the Company is investment holding. The Group is principally engaged in the brokerage and dealing of securities, margin financing, loan financing, financial advisory, direct investments, investment holding, provision of advising on corporate finance services and provision of management and consultancy services. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of operations of the Company is 15th Floor, China Huarong Tower, 60 Gloucester Road, Wanchai, Hong Kong. The intermediate controlling shareholder of the Company is China CITIC Financial AMC International Holdings Limited (formerly known as China Huarong International Holdings Limited) (“**CFAIH**”) 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 CFAIH. China CITIC Financial Asset Management Co., Ltd. (“**CCFAMC**”), 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 CCFAMC include the CITIC Group Corporation, Ministry of Finance (the “**MOF**”), 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 of directors for issue on 30 August 2024.

2. Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2024 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 2023.

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 2024, the Group had net current assets of HK\$799 million (31 December 2023: net current liabilities of HK\$181 million), net liabilities of HK\$1,712 million (31 December 2023: net liabilities of HK\$1,657 million) and made a profit of HK\$143 million (2023: incurred a loss of HK\$458 million) for the six months period ended.

2. Basis of preparation (continued)

Going concern basis (continued)

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 borrowing*

The Group completed its negotiations with a bank for extension of a bank borrowing during 2024. Pursuant to the agreement with the bank, the next review date of the bank borrowing of HK\$200 million will be March 2025.

(ii) *Utilisation of banking facilities*

As at 30 June 2024, the Group has total bank credit facilities of approximately HK\$820,000,000 (31 December 2023: approximately HK\$1,706,626,000), of which HK\$200,000,000 (31 December 2023: HK\$820,000,000) were utilised by the Group.

(iii) *Support from intermediate controlling shareholder*

The Group has obtained a letter of support from its intermediate controlling shareholder, CFAIH, 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 CFAIH will continue to be forthcoming. As at 30 June 2024, CFAIH, directly and indirectly through its subsidiaries, lent an aggregate of approximately HK\$9.9 billion to the group in forms of intercompany loans and perpetual securities (31 December 2023: approximately HK\$10.5 billion). Depending on the need for working capital, the Group may need to obtain the loans at different times and amounts. There is no intercompany borrowings to be due within the next twelve months from 30 June 2024.

(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 2024, 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.

2. Basis of preparation (continued)

Going concern basis (continued)

(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) *Development of licensed business*

The Group continue to focus on the development of licensed business, including securities brokerage, asset management and corporate finance. The Group will seek for opportunities to explore new markets for its licensed business.

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 2024. 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 2024. Accordingly, the Directors are satisfied that it is appropriate to prepare the condensed 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 implemented, or is 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 2023, 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 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the " 2020 Amendments ")
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> (the " 2022 Amendments ")
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

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

- (a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 1 January 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

3. Changes in accounting policies (continued)

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

4. Operating segment information

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

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

- (a) the securities segment comprises the broking and dealing of securities and the provision of margin financing services.
- (b) the corporate finance segment provides securities underwriting and sponsoring, 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.
- (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 profit before tax except that certain other income and gains or losses, certain finance costs and other unallocated expenses (including certain staff costs, certain rental expenses, certain depreciation, certain legal and professional fees and certain other expenses, incurred for strategic planning of the Group) are excluded from such measurement.

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

4. Operating segment information (continued)

(a) Operating segments

The following tables represent the revenue and results for the six months ended 30 June 2024 and 2023 for the Group's operating segments:

Six months ended 30 June 2024 (unaudited)

	Securities HK\$'000	Corporate finance HK\$'000	Asset management and direct investment HK\$'000	Financial services and others HK\$'000	Total HK\$'000
Segment revenue					
Commission and fee income	1,277	-	1,073	-	2,350
Interest income	313	-	44,587	667	45,567
Investment income	-	-	780	-	780
	1,590	-	46,440	667	48,697
Net gain on financial assets at fair value through profit or loss	-	-	28,375	-	28,375
Net loss arising from disposal of financial asset at amortised cost	-	-	-	(10,066)	(10,066)
Other income and gains or losses, net	3,460	32	6,792	(19,225)	(8,941)
	5,050	32	81,607	(28,624)	58,065
Segment results	2,747	(2,140)	159,690	(39,201)	121,096
Unallocated other income and gains or losses, expenses, net					(2,522)
Profit before tax					118,574
Income tax credit					24,007
Profit for the period					142,581

4. Operating segment information (continued)

(a) Operating segments (continued)

Six months ended 30 June 2023 (unaudited)

	Securities HK\$'000	Corporate finance HK\$'000	Asset management and direct investment HK\$'000	Financial services and others HK\$'000	Total HK\$'000
Segment revenue					
Commission and fee income	798	1,551	3,770	–	6,119
Interest income	2,015	–	54,872	1,430	58,317
Investment income	–	–	–	–	–
	2,813	1,551	58,642	1,430	64,436
Net loss on financial assets at fair value through profit or loss	–	–	(180,695)	–	(180,695)
Other income and gains or losses, net	(70)	31	34,793	3,253	38,007
	2,743	1,582	(87,260)	4,683	(78,252)
Segment results	(11,292)	(1,677)	(360,398)	(30,322)	(403,689)
Unallocated other income and gains or losses, expenses, net					(53,950)
Loss before tax					(457,639)
Income tax expense					(722)
Loss for the period					(458,361)

4. Operating segment information (continued)

(a) Operating segments (continued)

The following tables present the assets and liabilities for the Group's operating segments as at 30 June 2024 and 31 December 2023.

As at 30 June 2024 (unaudited)

	Securities HK\$'000	Corporate finance HK\$'000	Asset management and direct investment HK\$'000	Financial services and others HK\$'000	Total HK\$'000
Total segment assets	233,877	10,106	2,009,303	118,144	2,371,430
Other unallocated assets					276,388
Total assets					2,647,818
Total segment liabilities	(159,783)	-	(185,676)	(26,295)	(371,754)
Other unallocated liabilities					(3,988,323)
Total liabilities					(4,360,077)

As at 31 December 2023 (audited)

	Securities HK\$'000	Corporate finance HK\$'000	Asset management and direct investment HK\$'000	Financial services and others HK\$'000	Total HK\$'000
Total segment assets	317,254	17,282	2,537,388	726,774	3,598,698
Other unallocated assets					319,568
Total assets					3,918,266
Total segment liabilities	(115,269)	-	(34,906)	(305,621)	(455,796)
Other unallocated liabilities					(5,119,124)
Total liabilities					(5,574,920)

4. Operating segment information (continued)

(a) Operating segments (continued)

Other segment information for the six months ended 30 June 2024 (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	-	-	(123,700)	-	(10,339)	(134,039)
Net reversal of impairment of other loans and debt instruments	-	-	214,006	-	-	214,006
Net provision for impairment of accounts receivable and others	(3)	-	(1,852)	-	-	(1,855)
Net reversal of impairment of advances to customers in margin financing	708	-	-	-	-	708
Net provision for impairment of finance lease receivables	-	-	-	(10,663)	-	(10,663)
Net reversal of impairment of financial assets at fair value through other comprehensive income	-	-	7,746	-	-	7,746

Other segment information for the six months ended 30 June 2023 (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	-	-	(116,238)	-	(46,609)	(162,847)
Net provision for impairment of other loans and debt instruments	-	-	(59,591)	-	-	(59,591)
Net provision for impairment of advances to customers in margin financing	(9,929)	-	-	-	-	(9,929)
Net provision for impairment of finance lease receivables	-	-	-	(33,278)	-	(33,278)
Net provision for impairment of financial assets at fair value through other comprehensive income	-	-	(30,153)	-	-	(30,153)

4. Operating segment information (continued)

(b) Geographical information

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

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

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

	Revenue from external customers		Non-current assets	
	For the six months ended			
	30 June		30 June	31 December
	2024	2023	2024	2023
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	48,030	63,006	4,217	5,477
Mainland China	667	1,430	5	5
	48,697	64,436	4,222	5,482

Note: Non-current assets excluded financial assets.

(c) Information about major customers

During the six months period ended 30 June 2024, two external customers contributed more than 10% of total revenue of the Group (2023: one external customer):

	30 June 2024 (Unaudited) HK\$'000	30 June 2023 (Unaudited) HK\$'000
Customer A from asset management and direct investment	29,734	29,734
Customer B from asset management and direct investment	5,540	5,896

5. Revenue

The Group's revenue is disaggregated as follows:

	For the six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
<i>Revenue from contracts with customers</i>		
Commission and fee income (note (i)):		
Fee and commission income on securities dealing and brokerage	1,035	736
Consultancy and financing advisory fee income	–	4,307
Fund subscription and management fee income	1,073	1,014
Other service income	242	62
	2,350	6,119
<i>Revenue from other sources</i>		
Interest income:		
Interest income calculated using the effective interest method		
Interest income from other loans and debt instruments	39,207	40,830
Interest income from finance lease receivables	667	1,430
Interest income from margin financing activities	313	2,015
	40,187	44,275
Interest income – others:		
Interest income from financial assets at fair value through profit or loss	2,104	7,337
Interest income from financial assets at fair value through other comprehensive income	3,276	6,705
	5,380	14,042
Total interest income	45,567	58,317
Investment income:		
Dividend income	780	–
Total revenue	48,697	64,436

5. Revenue (continued)

Note:

- (i) Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Services transferred at a point in time	1,277	5,105
Services transferred over time	1,073	1,014
Total revenue from contracts with customers	2,350	6,119

6. Finance costs

	For the six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Interest on bank borrowings	10,339	46,609
Interest on repurchase agreements and other activities	290	1,963
Interest on loans from an intermediate holding company	88,723	62,217
Interest on loans from an immediate holding company	33,335	50,386
Interest on a loan from a fellow subsidiary	1,347	1,288
Interest on lease liabilities	5	384
	134,039	162,847

7. Profit/(loss) before tax

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

	For the six months ended 30 June	
	2024	2023
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Depreciation of property, plant and equipment	1,118	937
Depreciation of right-of-use assets	142	24,758
Auditor's remuneration – interim review	1,100	1,380
Legal and professional fee	1,115	2,054
Employee benefit expenses (including directors' remuneration)	6,319	13,829
Net (reversal of)/provision for impairment of other loans and debt instruments	(214,006)	59,591
Net provision for impairment of accounts receivable and others	1,855	–
Net (reversal of)/provision for impairment of advances to customers in margin financing	(708)	9,929
Net provision for impairment of finance lease receivables	10,663	33,278
Net (reversal of)/provision for impairment of financial assets at fair value through other comprehensive income	(7,746)	30,153

8. Income tax

During the six months ended 30 June 2024 and 30 June 2023, no provision for Hong Kong Profits Tax has been made as the Group did not generate any 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 (2023: 25%).

	For the six months ended 30 June	
	2024	2023
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Current tax:		
Mainland China	–	722
Over provision in prior years:		
Mainland China	(24,007)	–
Total tax (credit)/charge for the period	(24,007)	722

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:

	For the six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Loss		
Loss for the period attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	(57,447)	(658,804)
	Number of shares	
	2024 (Unaudited) '000	2023 (Unaudited) '000
Number of shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	8,709,586	8,709,586

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 at fair value through profit or loss

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Financial assets at fair value through profit or loss ("FVTPL")		
Non-current:		
Unlisted fund investments (note (i))	256,812	468,897
Listed fixed income securities	43,741	122,622
Unlisted fixed income securities (note (ii))	278,133	278,133
	578,686	869,652
Current:		
Unlisted fund investments (note (i))	329,656	323,917
Listed equity investments	13,679	15,613
Listed fixed income securities	111,555	41,827
	454,890	381,357
Total financial assets at FVTPL	1,033,576	1,251,009

Notes:

- (i) The Group expects to realise the unlisted fund investments of approximately HK\$329,656,000 (31 December 2023: HK\$323,917,000) 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 2023: range from 7% to 8%) per annum as at 30 June 2024. The Group expects to realise such unlisted fixed income securities in more than 1 year (31 December 2023: expects to realise such unlisted fixed income securities in more than 1 year).

11. Financial assets at fair value through other comprehensive income

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Financial assets at fair value through other comprehensive income ("FVTOCI")		
Non-current:		
Fixed income securities, at fair value	23,143	21,286
Current:		
Fixed income securities, at fair value	59,821	112,552
	82,964	133,838

During the period, the gain in respect of changes in fair value of the Group's financial assets at FVTOCI recognised in other comprehensive income amounted to approximately HK\$5,479,000 (2023: loss of approximately HK\$20,180,000). During the period, the Group has net reversal of provision for impairment of financial assets at fair value through other comprehensive income included in profit or loss of HK\$7,746,000 (2023: net provision for impairment of HK\$30,153,000). Total allowances for impairment as at 30 June 2024 are approximately HK\$266,112,000 (31 December 2023: HK\$273,859,000). During the period, there is no gain or loss arising from the redemption of financial assets at FVTOCI (2023: loss of approximately HK\$2,055,000 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. Investment accounted for using the equity method and amount due from an associate

Name of entity	Country of incorporation	Interest held by the Group		Principal activities
		30 June 2024	31 December 2023	
Hua Rong Bo Run International Investment Holdings Limited	HK	40%	40%	Investment holding

The carrying amount of total investment in an associate using the equity method (comprised of the cost of unlisted investment in an associate, share of results of an associate and exchange differences) was nil as at 30 June 2024 and 31 December 2023.

The share of profit arisen from Hua Rong Bo Run International Investment Holdings Limited for the period ended 30 June 2024 and 30 June 2023 were nil.

The gross amount due from the associate, Hua Rong Bo Run International Investment Holdings Limited, with an interest rate of 7% per annum, repayable on 21 May 2022, is HK\$306,854,000 (31 December 2023: HK\$307,129,000). Upon the maturity of the amount due from an associate, there is no repayment of principal from the associate. Provision for impairment of HK\$306,854,000 (31 December 2023: HK\$307,129,000) has been made against the amount due from the associate as at 30 June 2024 due to significant financial difficulty of the associate. The carrying amount of the amount due from the associate was nil as at 30 June 2024 (31 December 2023: nil).

13. Financial lease receivables

	30 June 2024	31 December 2023
	HK\$'000	HK\$'000
Minimum finance lease receivables		
Within one year	177,931	596,812
Less: Allowance for expected credit losses ("ECL")	(132,119)	(512,335)
Carrying amount of finance lease receivables	45,812	84,477
Present value of minimum finance lease receivables:		
Within one year	45,812	596,812

13. Financial lease receivables (continued)

Movement of ECL:

	HK\$'000
At 1 January 2023	747,717
Net provision for impairment for the year	44,747
Written off	(3,802)
Disposal	(266,954)
Exchange difference on translation of foreign operations	(9,373)
At 31 December 2023 and 1 January 2024	512,335
Net provision for impairment for the period	10,663
Written off	(48,095)
Disposal	(340,558)
Exchange difference on translation of foreign operations	(2,226)
At 30 June 2024	132,119

At 30 June 2024, finance lease receivables were all secured by the lease assets which are mainly motor vehicles and equipment (31 December 2023: 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 2023: 6.80% to 9.75% per annum).

14. Other loans and debt instruments

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Other loans and debt instruments	1,357,344	1,322,986
Less: Allowance for ECL	(694,793)	(908,648)
	662,551	414,338

14. Other loans and debt instruments (continued)

As at 30 June 2024, 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 8% to 25% per annum (31 December 2023: 8.5% to 25% per annum).

As at 30 June 2024, other loans and debt instruments with a carrying amount of approximately HK\$662,551,000 were secured by equity interests in companies listed in Hong Kong and land and properties in Mainland China (31 December 2023: HK\$414,338,000 were secured by equity interests in companies listed in Hong Kong and land and properties in Mainland China).

During the period, the reversal of the allowance for ECL was mainly attributable to an increase in fair value of a collateral, estimated with reference to the quoted price of the pledged shares of a listed company as of 30 June 2024. Subsequent changes in the fair value of the collaterals or financial assets held by the Group may significantly affect the allowance for ECL.

As at 30 June 2024, other loans and debt instruments with a carrying amount of approximately HK\$237,874,000 (31 December 2023: approximately HK\$237,874,000) were overdue and the remaining balances were novation loans with no maturity date. No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value.

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 minimize credit risk by regularly reviewing the borrowers' and/or guarantors' financial position.

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 2024, the gross carrying amount for 12-month ECL, lifetime ECL (not credit-impaired) and lifetime ECL (credit-impaired) were nil (31 December 2023: nil), HK\$123,598,000 (31 December 2023: HK\$123,058,000) and HK\$1,233,746,000 (31 December 2023: HK\$1,199,928,000) respectively.

14. Other loans and debt instruments (continued)

As at 30 June 2024, the average loss rate for 12-month ECL, lifetime ECL (not credit-impaired) and lifetime ECL (credit-impaired) were nil (31 December 2023: nil), 4.70% (31 December 2023: 4.84%) and 56% (31 December 2023: 75%) respectively.

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 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 shall 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 2024, there was an increment in the carrying amount of the assigned loans as compared to the position as at the assignment date as a result of decrease of provision for impairment. The assigned loans have gross amount of HK\$741,611,000 (31 December 2023: HK\$736,987,000) and allowance for expected credit losses of HK\$316,934,000 (31 December 2023: HK\$560,523,000), resulting in a net balance of HK\$424,677,000 (31 December 2023: HK\$176,464,000).

15. Advances to customers in margin financing

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Advances to customers in margin financing	94,156	105,102
Less: Allowance for ECL	(92,959)	(93,671)
	1,197	11,431

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.

All the pledged securities were listed equity securities in the respective stock exchanges in Hong Kong as at 30 June 2024 and 31 December 2023, amounted to HK\$3,335,000 and HK\$71,227,000, respectively. The loans are repayable on demand subsequent to the settlement date of the trade.

As at 30 June 2024, the Group has concentration of credit risk as 98% (31 December 2023: 95%) of the total gross carrying amount of loans to securities margin clients due from the Group's five largest securities margin clients.

15. Advances to customers in margin financing (continued)

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 2024, the gross carrying amount for 12-month ECL, lifetime ECL (not credit-impaired) and lifetime ECL (credit-impaired) were HK\$852,000 (31 December 2023: HK\$11,019,000), nil (31 December 2023: nil) and HK\$93,304,000 (31 December 2023: HK\$94,083,000) respectively.

As at 30 June 2024, the average loss rate for 12-month ECL, lifetime ECL (not credit-impaired) and lifetime ECL (credit-impaired) were 1.59% (31 December 2023: 0.22%), nil (31 December 2023: nil), and 99.6% (31 December 2023: 99.5%) respectively.

16. Accounts receivable

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Accounts receivable from:		
– securities dealing services		
– clients	477	296
– brokers, dealers and clearing houses	496	2,145
– corporate finance and asset management	6,358	6,608
– direct investment	71,844	310,883
	79,175	319,932
Less: Allowance for ECL	(78,141)	(76,286)
	1,034	243,646

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 and dealers.

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 ECL, is as follows:

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
0–30 days	679	239,256
31–90 days	–	–
91–365 days	–	–
Over 365 days	355	4,390
	1,034	243,646

16. Accounts receivable (continued)

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

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
At beginning of period/year	76,286	133,289
Net provision for impairment	1,855	3,101
Amount written off during the year	–	(60,104)
At end of period/year	78,141	76,286

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 2024, accounts receivable amounting to HK\$6,358,000 (31 December 2023: HK\$6,608,000) arose from corporate finance and asset management business which is under the scope of HKFRS 15 and accounts receivable amounting to HK\$71,844,000 (31 December 2023: HK\$310,883,000) arose from direct investment business. The Group performs impairment assessment under lifetime ECL on these balance individually for debtors. As at 30 June 2024, allowance amounting to HK\$77,847,000 (31 December 2023: HK\$75,995,000) 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\$294,000 (31 December 2023: HK\$291,000).

17. Restricted bank balances

The Group maintains segregated trust accounts with licenced banks to hold clients' monies arising from its normal course of business licenced by the Securities and Futures Commission. The Group has classified these clients' monies as restricted bank balances under the current assets section of the condensed consolidated statement of financial position and recognised the corresponding amounts payable to the respective clients on the ground that it is liable for any loss or misappropriation of these clients' monies. The Group is not permitted to use the clients' monies to settle its own obligations.

18. Cash and deposits with banks

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Cash and bank balances	627,595	1,551,890
Time deposits with original maturity of less than three months	–	29,465
Total cash and deposits with banks	627,595	1,581,355

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and time deposits are placed in creditworthy banks with no recent history of default.

As at 30 June 2024 and 31 December 2023, no time deposit has been pledged for a bank borrowing.

19. Accounts payable

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

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Current to 1 month	99,200	98,559

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

As at 30 June 2024, accounts payable with a carrying amount of approximately HK\$95,625,000 (31 December 2023: HK\$96,966,000) are interest-bearing at bank savings deposit rates.

20. Other liabilities, payables and accruals

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Current:		
Other payables	103,759	109,080
Interest payables (note (i))	48,917	46,838
Accruals	2,991	3,017
Receipt in advance	300	301
	155,967	159,236
Non-current:		
Other payables	3,504	3,504
	159,471	162,740

Other payables and accrued liabilities are non-interest-bearing.

Note:

- (i) Included in interest payables are the interest payables amounting to HK\$41,850,000 (31 December 2023: HK\$19,290,000) in relation to the loans from an intermediate holding company of an aggregate amount of US\$480,055,000 (31 December 2023: US\$280,115,000) at annual interest rate of 6.51% (31 December 2023: 4.3% to 7.98%) and HK\$320,000 (31 December 2023: HK\$2,020,000) interest payable in relation to the bank borrowing. Moreover, interest payables of HK\$3,270,000 (31 December 2023: HK\$20,214,000) are related to the loans from an immediate holding company and HK\$3,477,000 (31 December 2023: HK\$5,314,000) is related to an unsecured loan from a fellow subsidiary.

21. Interest-bearing borrowings

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Non-current:		
Unsecured loans from an intermediate holding company	3,748,579	1,942,245
Unsecured loans from an immediate holding company	–	841,304
An unsecured loan from a fellow subsidiary	28,488	–
	3,777,067	2,783,549
Current:		
Unsecured bank borrowings	200,000	820,000
Unsecured loans from an intermediate holding company	–	247,034
Unsecured loans from an immediate holding company	–	1,198,111
An unsecured loan from a fellow subsidiary	–	55,174
	200,000	2,320,319
Total interest-bearing borrowings	3,977,067	5,103,868

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
The carrying amounts of the above borrowings are repayable based on scheduled repayment dates set out in the loan agreements:		
On demand or within one year	200,000	2,320,319
Within a period of more than one year but not exceeding two years	–	–
Within a period of more than two years but not exceeding five years	3,777,067	1,290,855
More than five years	–	1,492,694
	3,977,067	5,103,868

21. Interest-bearing borrowings (continued)

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Denominated in:		
HK\$	200,000	820,000
US\$	3,748,579	4,228,694
RMB	28,488	55,174
	3,977,067	5,103,868

The bank borrowing as at 30 June 2024 carry variable interest at Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 1.25% per annum (31 December 2023: HIBOR plus 2.3% to 2.45% per annum).

In addition, the Group had loans amounting to approximately US\$480,055,000 (equivalent to approximately HK\$3,748,579,000) (31 December 2023: US\$280,115,000 (equivalent to approximately HK\$2,189,279,000)) from its intermediate holding company, for the operation of the Group’s business. The loans bear interest at fixed interest rates of 6.51% per annum (31 December 2023: ranging from 4.3% to 7.98% per annum) and are repayable in five years (31 December 2023: in one year and within six years) from the end of the reporting period.

Furthermore, the Group had no loan (31 December 2023: had loans of US\$260,940,000 (equivalent to approximately HK\$2,039,415,000)) from its immediate holding company. The repaid loans bore interest at fixed interest rates ranging from 3.87% to 5.81% per annum and were repayable in one year and within six year from 31 December 2023.

21. Interest-bearing borrowings (continued)

In addition, the Group had a loan of RMB26,000,000 (equivalent to approximately HK\$28,488,000) (31 December 2023: RMB50,000,000 (equivalent to approximately HK\$55,174,000)) from its fellow subsidiary, for the operation of the Group's business. The loan bear interest at fixed interest rate of 5.43% per annum (31 December 2023: 4.75% per annum) and are repayable in three years (31 December 2023: in one year) from the end of the reporting period.

The carrying amounts of the interest-bearing borrowings approximate their fair values as the impact on discounting is not significant.

The Group completed its negotiation with a bank for extension of a bank borrowing during 2024. Pursuant to the agreements with the bank, the next review dates of bank borrowing of HK\$200 million will be March 2025.

22. Share capital

	Number of shares '000,000	Share capital HK\$'000
Authorised:		
Ordinary shares of HK\$0.001 each at 1 January 2023, 31 December 2023, 1 January 2024 and 30 June 2024	1,000,000	1,000,000
Issued and fully paid:		
At 1 January 2023 (audited), 31 December 2023 (audited), 1 January 2024 (audited) and 30 June 2024 (unaudited)	8,710	8,710

23. Repurchase agreements

Repurchase agreements arise when the securities are sold by the Group with a concurrent agreement to repurchase at a specified later date and price. These securities are not recognized from the Group's condensed consolidated statement of financial position and are retained within the appropriate financial assets classification. The amount received by the Group is recognized as liabilities as the Group retains substantially all risks and returns of the securities.

As at 30 June 2024, there was nil obligation under repurchase agreements (31 December 2023: HK\$54,019,000).

The following table specifies the amount included within financial assets at FVTPL and financial assets at FVTOCI subject to repurchase agreements at the period end/year end.

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Financial assets at FVTOCI	–	67,812
Financial assets at FVTPL	–	4,356
	–	72,168

24. Perpetual capital securities classified as equity instruments

	Principal HK\$'000	Distributions HK\$'000	Total HK\$'000
Balance at 1 January 2023 (audited)	6,162,900	79,584	6,242,484
Profit attributable to holder of perpetual capital securities	–	400,498	400,498
Distributions relating to perpetual capital securities	–	(401,347)	(401,347)
Balance at 31 December 2023 (audited) and 1 January 2024 (audited)	6,162,900	78,735	6,241,635
Profit attributable to holder of perpetual capital securities	–	200,028	200,028
Distributions relating to perpetual capital securities	–	(200,252)	(200,252)
Balance at 30 June 2024 (unaudited)	6,162,900	78,511	6,241,411

25. Related party transactions

In addition to the transactions and balances disclosed elsewhere to the interim financial information, the Group had the following related party transactions during the period:

- (a) Compensation of key management personnel of the Group, including directors' and the chief executive's remuneration, is as follows:

	For the six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Short-term employee benefit	1,225	1,286

25. Related party transactions (continued)

- (b) Save as disclosed below and elsewhere in these consolidated financial statements, the Group did not have any material transactions with related parties during the period ended 30 June 2024 and 30 June 2023.

Details as follow:

	For the six months ended 30 June	
	2024	2023
	Finance costs (Unaudited) HK\$'000	Finance costs (Unaudited) HK\$'000
An intermediate holding company (note (i))	88,723	62,217
An immediate holding company (note (ii))	33,335	50,386
A fellow subsidiary (note (iii))	1,347	1,288

Notes:

- (i) The Group had loans amounting to approximately US\$480,055,000 (equivalent to approximately HK\$3,748,579,000) (31 December 2023: US\$280,115,000 (equivalent to approximately HK\$2,189,279,000)) from its intermediate holding company, for the operation of the Group's business. Please refer to note 21 for details of the loans and note 20 for the interest payable of the loans. As a result, finance cost of HK\$88,723,000 (2023: HK\$62,217,000) was resulted for the period ended 30 June 2024.
- (ii) As at 30 June 2024, the Group had no loan (31 December 2023: had loans of US\$260,940,000 (equivalent to approximately HK\$2,039,415,000)) from its immediate holding company. As a result, finance cost of HK\$33,335,000 (2023: HK\$50,386,000) was resulted for the period ended 30 June 2024.
- (iii) During the period, the Group had a loan denominated in RMB of approximately RMB26,000,000 (equivalent to approximately HK\$28,488,000) (31 December 2023: approximately RMB50,000,000 (equivalent to approximately HK\$55,174,000)) from its fellow subsidiary, for the operation of the Group's business. Please refer to note 21 for details of the loan and note 20 for the interest payable of the loan. As a result, finance cost of HK\$1,347,000 (2023: HK\$1,288,000) was resulted for the period ended 30 June 2024.

The Group is indirectly controlled by CCFAMC. The MOF is the major shareholder of CCFAMC as at 30 June 2024. For the current period, in addition to those disclosed above, the Group has undertaken transactions with certain entities directly or indirectly owned by the PRC government, including but not limited to receiving loan facilities. The Group is of opinion that these transactions are in normal business terms that do not require separate disclosure.

26. Fair value measurements of financial instruments

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

30 June 2024 (Unaudited)

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Assets				
Non-current				
Financial assets at FVTOCI	–	23,143	–	23,143
Financial assets at FVTPL				
– Unlisted fund investments	–	–	256,812	256,812
– Listed fixed income securities	–	43,741	–	43,741
– Unlisted fixed income securities	–	–	278,133	278,133
	–	66,884	534,945	601,829
Current				
Financial assets at FVTOCI	–	59,821	–	59,821
Financial assets at FVTPL				
– Unlisted fund investments	–	12,354	317,302	329,656
– Listed equity investments	13,679	–	–	13,679
– Listed fixed income securities	–	111,555	–	111,555
	13,679	183,730	317,302	514,711
Total financial assets measured at fair value	13,679	250,614	852,247	1,116,540

26. Fair value measurements of financial instruments (continued)

31 December 2023 (Audited)

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Assets				
Non-current				
Financial assets at FVTOCI	–	112,552	–	112,552
Financial assets at FVTPL				
– Unlisted fund investments	–	703	468,194	468,897
– Listed fixed income securities	–	122,622	–	122,622
– Unlisted fixed income securities	–	–	278,133	278,133
	–	235,877	746,327	982,204
Current				
Financial assets at FVTOCI	–	21,286	–	21,286
Financial assets at FVTPL				
– Unlisted fund investments	–	17,336	306,581	323,917
– Listed equity investments	15,613	–	–	15,613
– Listed fixed income securities	–	41,827	–	41,827
	15,613	80,449	306,581	402,643
Total financial assets measured at fair value	15,613	316,326	1,052,908	1,384,847

27. Fair value and fair value hierarchy of financial instruments

Fair value of the Group's financial assets

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

An analysis of the Group's financial assets measured at fair value as at 30 June 2024 and 31 December 2023 are as follows:

	Fair value as at 30 June 2024 (Unaudited) HK\$'000	Fair value as at 31 December 2023 (Audited) HK\$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Reasonable change in key inputs +/-	Increase/(decrease) in profit before tax by reasonable changes in significant unobservable inputs
Financial assets at FVTPL							
(1) Financial assets at FVTPL	Listed equity investments: – HK\$13,679	Listed equity investments: – HK\$15,613	Level 1	Note (a)	N/A	N/A	N/A
(2) Financial assets at FVTPL	Listed fixed income securities: – HK\$155,296	Listed fixed income securities: – HK\$164,449	Level 2	Note (b)	N/A	N/A	N/A
(3) Financial assets at FVTPL	Unlisted fund investments: – HK\$12,354	Unlisted fund investments: – HK\$18,039	Level 2	Note (c)	N/A	N/A	N/A
(4) Financial assets at FVTPL	Unlisted fund investment: – HK\$121,397	Unlisted fund investment: – HK\$262,223	Level 3	Note (d)	Net asset value	10% unit value	Increase/decrease in profit before tax of HK\$12,140,000/HK\$(12,140,000)

27. Fair value and fair value hierarchy of financial instruments (continued)

Fair value of the Group's financial assets (continued)

	Fair value as at 30 June 2024 (Unaudited) HK\$'000	Fair value as at 31 December 2023 (Audited) HK\$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Reasonable change in key inputs +/-	Increase/(decrease) in profit before tax by reasonable changes in significant unobservable inputs
Financial assets at FVTPL							
(5) Financial assets at FVTPL	Unlisted fund investments -HK\$452,717	Unlisted fund investments - HK\$512,552	Level 3	Notes (d) and (e) Net asset value		10% unit value	Increase/decrease in profit before tax of HK\$45,272,000/HK\$(45,272,000)
(6) Financial assets at FVTPL	Unlisted convertible bonds - HK\$278,133	Unlisted convertible bonds - HK\$278,133	Level 3	Note (f)	Discount rate	0.5% of the discount rate	Increase/decrease in profit before tax of HK\$(2,549,000)/HK\$2,515,000
Financial assets at FVTOCI							
(7) Financial assets at FVTOCI	Listed fixed income securities: - HK\$82,964	Listed fixed income securities: - HK\$133,838	Level 2	Note (b)	N/A	N/A	N/A

Notes:

- (a) Quoted price in an active market.
- (b) The fair value was determined with reference to quoted prices provided by brokers/financial institutions.
- (c) Dealing price of the investment funds derived from the net asset values of the investment funds with reference to observable quoted prices of underlying investment portfolio in active markets.
- (d) The fair value is determined with reference to the net asset value of the investment fund after taking into account the credit risk of underlying investments of the fund.
- (e) The fair value is determined with reference to the net asset value of the unlisted equity investments after taking into account the credit risk of the underlying investments of the fund.
- (f) The fair value is determined based on probability-weighted scenario analysis. The key unobservable input is the discount rate.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

27. Fair value and fair value hierarchy of financial instruments (continued)

Fair value of the Group's financial assets (continued)

The reconciliation of the Group's Level 3 fair value measurements of financial assets is as follows:

	30 June 2024 (Unaudited) HK\$'000	30 June 2023 (Unaudited) HK\$'000
Financial assets:		
At beginning of the period	1,052,908	1,197,660
Disposed during the period	(180,846)	–
Total loss in profit or loss	(19,815)	(122,316)
At end of the period	852,247	1,075,344

For the period ended 30 June 2024, the total loss for the period included in profit or loss was HK\$19,815,000 (2023: loss of HK\$122,316,000) which relates to financial assets at FVTPL at the end of each reporting period. Fair value gains or losses on financial assets at FVTPL are included in “net gain/(loss) on financial assets at fair value through profit or loss”.

28. Contingent liabilities

The Group had no material contingent liabilities at 30 June 2024 and 31 December 2023.

29. Dividends

No dividend was paid to the shareholders of the Company for the six months ended 30 June 2024 and 30 June 2023.

The Board has resolved not to declare the payment of any interim dividend for the six months ended 30 June 2024 and 30 June 2023.

30. Deed of undertaking to a fund

A subsidiary of the Company (“**subsidiary X**”) acted as the general partner for a fund (“**the Fund**”) set up in 2016. Third party A acting as the sole limited partner invested HK\$950 million into the Fund. Third party B and another subsidiary of the Company (“**subsidiary Y**”) both acted as fund managers. Third parties A and B are related parties to each other. Subject to the terms of the limited partnership agreement, if the investment return was greater than or equal to 6% per annum, third party A would be entitled to receive a return of 6% per annum from the Fund’s assets. Third party B would be entitled to receive management fee of 0.5% per annum of the capital commitment of the limited partner. If the investment return was greater than 6% per annum, the excess would be received by subsidiary Y as performance fee. Subsidiary Y would also be entitled to receive a management fee of 1% per annum of the capital commitment of the limited partner. The business substance of the Fund is for third party A to lend money to third party C.

Subsidiary Y signed a deed of undertaking to the Fund in 2016. The Company also issued a comfort letter to third party A. Subsidiary Y undertook to the Fund to use all feasible endeavours to facilitate the Fund’s performance of its obligations. Subsidiary Y also undertook to the Fund to serve as liquidity provider. It is considered that the comfort letter and the deed of undertaking do not constitute guarantee obligations of the Company, subsidiary X and subsidiary Y.

On 22 December 2022, third party A commenced legal proceedings in the courts of both Hong Kong and the Cayman Islands. In both sets of proceedings, third party A seeks payment of unquantified sums which it alleges are due and unpaid under the limited partnership agreement entered into between third party A and subsidiary X. Third party A also claims unquantified damages for alleged breaches of fiduciary, contractual and/or statutory duties by subsidiary X and subsidiary Y. Further, third party A alleges breaches of the comfort letter and the deed of undertaking signed by the Company and subsidiary Y respectively. Based on currently available information, the Company’s board of directors considers that the claims will have no material impact on the Group’s normal business and operation as at the date of this report.

SUPPLEMENTARY INFORMATION

Interests and short positions of substantial shareholders

As at 30 June 2024, so far as was known to the Directors and the chief executive of the Company, the following persons or corporations (other than a Director or chief executive of the Company) who had interests or short positions in the Shares and underlying Shares of the Company which would be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Capacity/Nature of interest	Number of Shares held	Approximate percentage of the issued share capital of the Company as at 30 June 2024
China CITIC Financial AMC (Notes 1, 2 and 3)	Interests in controlled corporation	4,441,556,104 (L)	51.00%
	Interests in controlled corporation (security interest)	2,144,097,429 (L)	24.62%
CFAIH (Notes 1 and 3)	Interests in controlled corporation	4,441,556,104 (L)	51.00%
	Interests in controlled corporation (security interest)	135,000,000 (L)	1.55%
Right Select (Note 1)	Beneficial owner	2,611,438,440 (L)	29.98%
Camellia Pacific (Note 1)	Beneficial owner	1,830,117,664 (L)	21.01%
Shinning Rhythm Limited (Note 2)	Security interest	2,009,097,429 (L)	23.07%
China Huarong Overseas Investment Holdings Co., Limited (Note 2)	Interests in controlled corporation (security interest)	2,009,097,429 (L)	23.07%
Huarong Huaqiao Asset Management Co., Ltd. (Note 2)	Interests in controlled corporation (security interest)	2,009,097,429 (L)	23.07%
Huarong Zhiyuan Investment & Management Co., Ltd. (“Huarong Zhiyuan”) (Note 2)	Interests in controlled corporation	2,009,097,429 (L)	23.07%

Name of Shareholder	Capacity/Nature of interest	Number of Shares held	Approximate percentage of the issued share capital of the Company as at 30 June 2024
Hero Link Enterprises Limited (Note 4)	Beneficial owner	129,000,000 (L)	1.48%
China Tian Yuan International Finance Limited (Note 4)	Beneficial owner	646,220,529 (L)	7.42%
	Interests in controlled corporation	129,000,000 (L)	1.48%
China Tian Yuan Finance Group (Holdings) Limited (Note 4)	Interests in controlled corporation	775,220,529 (L)	8.90%
Ningxia Tianyuan Manganese Industry Group Co., Ltd. (Note 5)	Interests in controlled corporation	996,517,500 (L)	11.44%
Tian Yuan Manganese Limited (Note 5)	Interests in controlled corporation	996,517,500 (L)	11.44%
China Tian Yuan Manganese Finance (Holdings) Limited (Note 5)	Interests in controlled corporation	996,517,500 (L)	11.44%
China Tian Yuan Asset Management Limited ("Tian Yuan Asset Management") (Note 5)	Beneficial owner	996,517,500 (L)	11.44%
Mr. Jia Tianjiang (Notes 4 and 5)	Interests in controlled corporation	1,771,738,029 (L)	20.34%
Ms. Dong Jufeng (Notes 4 and 5)	Interests of spouse	1,771,738,029 (L)	20.34%

(L) Long position

Notes:

- (1) 1,830,117,664 Shares are beneficially owned by Camellia Pacific and 2,611,438,440 Shares are beneficially owned by Right Select. Both Camellia Pacific and Right Select are wholly owned by CFAIH. CFAIH is owned as to 84.84% by China CITIC Financial AMC and 15.16% by Huarong Zhiyuan. Huarong Zhiyuan is wholly owned by China CITIC Financial AMC. Therefore, each of China CITIC Financial AMC and CFAIH is deemed or taken to be interested in all the Shares beneficially owned by Camellia Pacific and Right Select by virtue of the SFO.

- (2) 129,000,000 Shares held by Hero Link Enterprises Limited, 646,220,529 Shares held by China Tian Yuan International Finance Limited and 996,517,500 Shares held by China Tian Yuan Asset Management Limited are pledged to Shinning Rhythm Limited, while 237,359,400 Shares held by Power Tiger Investments Limited are pledged to Tian Yuan Investment Holding Co., Limited, which in turn has assigned such security interest to Shinning Rhythm Limited. Shinning Rhythm Limited is a wholly-owned subsidiary of China Huarong Overseas Investment Holdings Co., Limited, which is in turn a wholly-owned subsidiary of Huarong Huaqiao Asset Management Co., Ltd. Huarong Huaqiao Asset Management Co., Ltd. is owned as to 91% by Huarong Zhiyuan. Huarong Zhiyuan is a wholly-owned subsidiary of China CITIC Financial AMC. Accordingly, each of China Huarong Overseas Investment Holdings Co., Limited, Huarong Huaqiao Asset Management Co., Ltd., Huarong Zhiyuan and China CITIC Financial AMC is deemed to be interested in the security interest in the 2,009,097,429 underlying Shares held by Shinning Rhythm Limited by virtue of the SFO.
- (3) Fresh Idea Ventures Limited holds direct security interest in 135,000,000 underlying Shares and is a wholly-owned subsidiary of Linewear Assets Limited. Linewear Assets Limited is a wholly-owned subsidiary of the Company, which in turn is owned as to 51% collectively by Camellia Pacific and Right Select. Accordingly, each of CFAIH and China CITIC Financial AMC is deemed to be interested in the security interest in the 135,000,000 underlying Shares held by Fresh Idea Ventures Limited by virtue of the SFO.
- (4) China Tian Yuan Finance Group (Holdings) Limited is deemed or taken to be interested in (i) 129,000,000 Shares held by Hero Link Enterprises Limited which is held as to 82% by China Tian Yuan International Finance Limited; and (ii) 646,220,529 Shares held by China Tian Yuan International Finance Limited. China Tian Yuan International Finance Limited is a wholly-owned subsidiary of China Tian Yuan Finance Group (Holdings) Limited, which in turn is wholly-owned by Mr. Jia Tianjiang. Accordingly, each of China Tian Yuan International Finance Limited, China Tian Yuan Finance Group (Holdings) Limited, Mr. Jia Tianjiang and his spouse Ms. Dong Jufeng is deemed to be interested in the 775,220,529 Shares beneficially held by Hero Link Enterprises Limited and China Tian Yuan International Finance Limited by virtue of the SFO.
- (5) 996,517,500 Shares are held by China Tian Yuan Asset Management Limited, which is a wholly-owned subsidiary of China Tian Yuan Manganese Finance (Holdings) Limited, which is in turn a wholly-owned subsidiary of Tian Yuan Manganese Limited, which is in turn a wholly-owned subsidiary of Ningxia Tianyuan Manganese Industry Group Co., Ltd. Ningxia Tianyuan Manganese Industry Group Co., Ltd. is owned as to 99.96% by Mr. Jia Tianjiang. Accordingly, each of China Tian Yuan Manganese Finance (Holdings) Limited, Tian Yuan Manganese Limited, Ningxia Tianyuan Manganese Industry Group Co., Ltd., Mr. Jia Tianjiang and his spouse Ms. Dong Jufeng is deemed to be interested in the 996,517,500 Shares beneficially held by China Tian Yuan Asset Management Limited.

Saved as disclosed above, as at 30 June 2024, no other persons (other than a Director or chief executive of the Company) who had any interest or short position in any Shares or underlying Shares of the Company which would be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO or which have been notified to the Company and the Stock Exchange.

Purchase, sale or redemption of the Company's listed securities

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

Corporate Governance Practices

During the Period, the Company has adopted and complied with all the applicable code provisions of the CG Code.

Directors' securities transactions

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors. In response to a specific enquiry made by the Company, all Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the Period.

Changes in information of Directors

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 2023 annual report of the Company are as follows:

Mr. Hung Ka Hai Clement, an independent non-executive Director, has been appointed as an independent non-executive director of Capital Estate Limited (Stock Code: 193) with effect from 12 April 2024.

Disclosure Pursuant to Rule 13.18 and Rule 13.21 of the Listing Rules

As at 30 June 2024, details of existing banking facilities with covenants relating to specific performance of the Company's controlling shareholder which constitute disclosure obligation pursuant to Rule 13.18 and Rule 13.21 of the Listing Rules are as follows:

Facility Agreement I

On 21 May 2020, the Company, as the borrower, entered into a facility letter (the "**Facility Agreement I**") with a bank as the lender to renew an uncommitted revolving loan facility in an aggregate amount of US\$100,000,000 (the "**Facility I**"). Afterwards, on 26 September 2022, the Company entered into a supplemental facility letter with the bank to renew the Facility I, pursuant to which the limit of the Facility I was reduced to US\$80,000,000. The Facility I has been further renewed by entering into a supplemental facility letter dated 15 August 2023 and is subject to review of the lender in July 2025 or on other time as deemed appropriate by the lender. The Facility I shall be repaid in full on the date as notified by the bank from time to time at its sole discretion. Under the terms of the Facility Agreement I and its supplemental facility letters, the Company shall ensure and procure that China CITIC Financial AMC shall maintain the status of controlling shareholder of the Company and CFAIH. Moreover, China CITIC Financial AMC has issued a letter of comfort and has undertaken to continuously maintain control over the Company as long as the Facility I remains outstanding.

As at 30 June 2024, loan amount outstanding under Facility Agreement I was nil.

Facility Agreement II

On 29 March 2023, the Company, as the borrower, signed a revolving loan facility letter (the “**Facility Agreement II**”) with a bank as the lender for a facility up to an aggregate amount of HK\$200,000,000 (the “**Facility II**”). The Facility II is repayable on demand by the bank. China CITIC Financial AMC has issued a letter of comfort and has undertaken to, among others, maintain control over the Company as long as the Facility II remains outstanding.

As at 30 June 2024, loan amount outstanding under Facility Agreement II was HK\$200 million.

Review of the interim financial information

The Audit Committee under the Board has reviewed the unaudited interim financial information of the Group for the Period, including the accounting principles and practices adopted by the Group for the Period.

The Group’s external auditor, Ernst & Young, has carried out a review of the unaudited interim financial information in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by HKICPA.

DEFINITIONS

“Board”	board of Directors of the Company
“Camellia Pacific”	Camellia Pacific Investment Holding Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of China CITIC Financial AMC, and which directly holding 21.01% equity interest in the Company as at the date of this interim report
“CFAIH”	China CITIC Financial AMC International Holdings Limited (formerly known as China Huarong International Holdings Limited), a company with limited liability incorporated in Hong Kong and a controlling shareholder (as defined in the Listing Rules) of the Company
“China CITIC Financial AMC” or “CCFAMC”	China CITIC Financial Asset Management Co., Ltd. (formerly known as China Huarong Asset Management Co., Ltd.), 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 (as defined in the Listing Rules) 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
“CG Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“Director(s)”	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
“HKFRS”	the Hong Kong Financial Reporting Standards

* For identification purposes only

“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 privatisation
“Last Period”	the period for the six months ended 30 June 2023
“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”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
“MOF”	the Ministry of Finance of the PRC
“Period”	the period for the six months ended 30 June 2024, being the financial reporting period of this interim report
“Right Select”	Right Select International Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of China CITIC Financial AMC, and which directly holding 29.98% equity interest in the Company as at the date of this interim report
“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