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華融國際金融控股有限公司

HUARONG INTERNATIONAL FINANCIAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 993)

**INTERIM RESULTS FOR THE SIX MONTHS ENDED
30 JUNE 2020**

The board (the “**Board**”) of directors (the “**Directors**”) of Huarong International Financial Holdings Limited (the “**Company**”) hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2020 together with the comparative figures for the corresponding period of last year as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

		For the six months ended 30 June	
	<i>NOTES</i>	2020	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue			
Commission and fee income	4	15,889	74,283
Interest income	4	314,775	767,546
Investment income	4	31,188	112,325
		361,852	954,154
Net (loss)/gain on financial assets at fair value through profit or loss		(276,054)	378,252
Net loss arising from disposal of financial assets at fair value through other comprehensive income		(16,166)	(9,667)
Other income and gains or losses, net	5	(45,753)	(27,034)
Brokerage and commission expenses		(4,543)	(4,614)
Administrative and other operating expenses		(75,089)	(75,526)
Impairment losses, net of reversal		(93,164)	(685,703)
Finance costs	6	(317,657)	(696,297)
Share of results of associates		–	13,314

		For the six months ended 30 June	
		2020	2019
	<i>NOTES</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Loss before tax	7	(466,574)	(153,121)
Income tax expense	8	(8,446)	(77,631)
Loss for the period		<u>(475,020)</u>	<u>(230,752)</u>
Loss for the period attributable to:			
Owners of the Company		(507,975)	(263,806)
Holder of perpetual capital securities		32,955	33,054
		<u>(475,020)</u>	<u>(230,752)</u>
Basic loss per share attributable to owners of the Company	9	<u>HK(14.16) cents</u>	<u>HK(7.35) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	For the six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss for the period	(475,020)	(230,752)
Other comprehensive (loss)/income		
Items that may be reclassified subsequently to profit or loss:		
Fair value (loss)/gain on financial assets at fair value through other comprehensive income	(60,148)	197,329
Net provision for impairment of financial assets at fair value through other comprehensive income included in profit or loss	9,866	6,926
Reclassification adjustments relating to disposal of financial assets at fair value through other comprehensive income during the period	16,166	9,667
Exchange differences on translating foreign operations:		
Exchange differences arising from subsidiaries during the period	(158)	(25)
Exchange differences arising from associates during the period	–	(12)
Other comprehensive (loss)/income for the period	(34,274)	213,885
Total comprehensive loss for the period	(509,294)	(16,867)
Total comprehensive loss for the period attributable to:		
Owners of the Company	(542,249)	(49,921)
Holder of perpetual capital securities	32,955	33,054
	(509,294)	(16,867)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2020

		As at 30 June 2020	As at 31 December 2019
	<i>NOTES</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		2,939	2,300
Other long term assets		4,210	4,242
Intangible assets		2,350	2,350
Right-of-use assets		76,092	102,189
Financial assets at fair value through profit or loss	10	1,262,541	1,375,241
Financial assets at fair value through other comprehensive income	11	2,045,189	2,055,607
Amount due from an associate		302,805	314,262
Deferred tax assets		52,254	52,232
		<hr/>	<hr/>
Total non-current assets		3,748,380	3,908,423
Current assets			
Advances to customers in margin financing	13	616,134	2,883,671
Accounts receivable	14	112,934	103,356
Prepayments, deposits and other receivables		50,478	94,907
Financial assets at fair value through profit or loss	10	2,611,372	3,473,220
Financial assets at fair value through other comprehensive income	11	1,024,477	1,911,824
Other loans and receivables	12	2,997,009	772,017
Amount due from an associate		2,008	1,927
Tax recoverable		65,485	58,010
Restricted bank balances		411,822	389,202
Cash and cash equivalents		1,571,377	3,069,944
		<hr/>	<hr/>
Total current assets		9,463,096	12,758,078

		As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
	<i>NOTES</i>		
Current liabilities			
Accounts payable	15	919,941	1,355,529
Other liabilities, payables and accruals		130,871	248,122
Interest-bearing borrowings		3,180,012	6,241,067
Repurchase agreements		1,619,609	1,745,170
Tax payable		27,929	141,097
Lease liabilities		30,194	49,954
Financial liabilities at fair value through profit or loss	10	–	39,023
Total current liabilities		<u>5,908,556</u>	<u>9,819,962</u>
Net current assets		<u>3,554,540</u>	<u>2,938,116</u>
Total assets less current liabilities		<u>7,302,920</u>	<u>6,846,539</u>
Non-current liabilities			
Other liabilities, payables and accruals		1,845	1,845
Deferred tax liabilities		10,424	10,427
Interest-bearing borrowings		4,906,951	5,449,796
Lease liabilities		46,919	55,374
Total non-current liabilities		<u>4,966,139</u>	<u>5,517,442</u>
Net assets		<u><u>2,336,781</u></u>	<u><u>1,329,097</u></u>
Capital and reserves			
Equity attributable to owners of the Company			
Share capital		3,588	3,588
Perpetual capital securities classified as equity investments		2,757,363	1,207,430
Share premium and reserves		(424,170)	118,079
Total equity		<u><u>2,336,781</u></u>	<u><u>1,329,097</u></u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

Huarong International Financial Holdings Limited (the “**Company**”) is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of operations of the Company is situated at Unit A, 16/F & Unit A, 17/F, Two Pacific Place, 88 Queensway, Hong Kong. The immediate controlling shareholder of the Company is Camellia Pacific Investment Holding Limited which is incorporated in British Virgin Islands and is a wholly-owned subsidiary of China Huarong International Holdings Limited (“**CHIH**”) that is incorporated in Hong Kong. China Huarong Asset Management Co., Ltd. (“**China Huarong**”) a company established in the PRC and whose shares are listed on the Stock Exchange of Hong Kong Limited, became the indirect controlling shareholder of the Company since 2014. China Huarong is indirectly controlled by the PRC Government through the Ministry of Finance (the “**MOF**”).

The principal activities of the Company and its subsidiaries (the “**Group**”) are securities, futures and options contracts brokerage, provision of margin financing, corporate finance and asset management services, direct investment in equities, bonds, funds, derivative instruments and other financial products and provision of money lending services.

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

This unaudited interim financial information was approved by the board of directors (the “**Board**”) for issue on 26 August 2020.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

2.1 Basis of preparation

The unaudited interim financial information for the six months ended 30 June 2020 has been prepared in accordance with HKAS 34 Interim Financial Reporting. The unaudited interim 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 2019.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period’s financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

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

- (a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.
- (c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The amendments did not have any impact on the financial position and performance of the Group.
- (d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim financial information.

3. OPERATING SEGMENT INFORMATION

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

The segments are managed separately as each segment engages in different activities. The Group's operating and reportable segments are as follows:

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

The following is an analysis of the Group's revenue and results by reportable and operating segments:

Six months ended 30 June 2020 (unaudited)

	Securities <i>HK\$'000</i>	Corporate finance <i>HK\$'000</i>	Asset management and direct investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue				
Commission and fee income	14,356	235	1,298	15,889
Interest income	101,054	–	213,721	314,775
Investment income	–	–	31,188	31,188
	<u>115,410</u>	<u>235</u>	<u>246,207</u>	<u>361,852</u>
Net loss on financial assets at fair value through profit or loss	–	–	(276,054)	(276,054)
Net loss arising from disposal of financial assets at fair value through other comprehensive income	–	–	(16,166)	(16,166)
Other income and gains or losses, net	(805)	–	(52,426)	(53,231)
	<u>114,605</u>	<u>235</u>	<u>(98,439)</u>	<u>16,401</u>
Segment results	<u>(10,221)</u>	<u>(1,520)</u>	<u>(93,429)</u>	<u>(105,170)</u>
Finance costs				(317,657)
Other unallocated expenses, net				(51,225)
Other unallocated income and gains or losses, net				<u>7,478</u>
Loss before tax				(466,574)
Income tax expense				<u>(8,446)</u>
Loss for the period				<u>(475,020)</u>

Six months ended 30 June 2019 (unaudited)

	Securities <i>HK\$'000</i>	Corporate finance <i>HK\$'000</i>	Asset management and direct investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue				
Commission and fee income	25,436	13,261	35,586	74,283
Interest income	194,323	–	573,223	767,546
Investment income	–	–	112,325	112,325
	<u>219,759</u>	<u>13,261</u>	<u>721,134</u>	<u>954,154</u>
Net gain on financial assets at fair value through profit or loss	–	–	378,252	378,252
Net loss arising from disposal of financial assets at fair value through other comprehensive income	–	–	(9,667)	(9,667)
Share of results of associates	–	–	13,314	13,314
Other income and gains or losses, net	2,985	–	(59,135)	(56,150)
	<u>222,744</u>	<u>13,261</u>	<u>1,043,898</u>	<u>1,279,903</u>
Segment results	<u>(462,370)</u>	<u>4,706</u>	<u>1,016,788</u>	559,124
Finance costs				(696,297)
Other unallocated expenses, net				(45,064)
Other unallocated income and gains or losses, net				<u>29,116</u>
Loss before tax				(153,121)
Income tax expense				<u>(77,631)</u>
Loss for the period				<u>(230,752)</u>

The following is an analysis of the Group's assets and liabilities by operating segments:

	As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
Asset		
Securities	1,660,416	5,263,963
Corporate finance	78,661	69,758
Asset management and direct investment	10,928,033	9,943,324
	<hr/>	<hr/>
Total segment assets	12,667,110	15,277,045
Other unallocated assets	544,366	1,389,456
	<hr/>	<hr/>
Total assets	13,211,476	16,666,501
	<hr/> <hr/>	<hr/> <hr/>
Liabilities		
Securities	791,801	1,160,784
Corporate finance	–	4,457
Asset management and direct investment	1,820,100	2,760,319
	<hr/>	<hr/>
Total segment liabilities	2,611,901	3,925,560
Other unallocated liabilities	8,262,794	11,411,844
	<hr/>	<hr/>
Total liabilities	10,874,695	15,337,404
	<hr/> <hr/>	<hr/> <hr/>

Geographical information:

The Group's operations are located in Hong Kong and the People's Republic of China (the "PRC").

(a) *Revenue from external customers*

	For the six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Hong Kong	361,852	933,197
PRC	–	20,957
	<hr/>	<hr/>
	361,852	954,154
	<hr/> <hr/>	<hr/> <hr/>

The information of revenue and other income above is based on the locations of the markets.

(b) *Non-current assets*

Majority of the non-current assets (excluding deferred tax assets) of the Group are located in Hong Kong.

4. **REVENUE**

The Group's revenue is disaggregated as follows:

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers</i>		
Commission and fee income (<i>note (i)</i>):		
Fee and commission income on securities dealing and broking	9,099	8,795
Placing and underwriting fee income	235	–
Consultancy and financing advisory fee income	5,140	54,575
Management fee income	1,298	10,913
Other service income	117	–
	15,889	74,283
<i>Revenue from other sources</i>		
Interest income:		
Interest income from loans and advances to customers	162,235	355,487
Interest income from amount due from an associate	11,648	11,699
Interest income from financial assets at fair value through profit or loss	46,361	257,730
Interest income from financial assets at fair value through other comprehensive income	94,531	142,630
	314,775	767,546
Investment income:		
Dividend income	31,188	112,325
Total revenue	361,852	954,154

Note:

- (i) The commission and fee income is the only revenue arising under the scope of HKFRS 15, while interest income and investment income are under the scope of HKFRS 9.

Included in revenue, revenue arising from contract with customers recognised at a point in time and over time were HK\$9,451,000 (2019: HK\$8,795,000) and HK\$6,438,000 (2019: HK\$65,488,000), respectively.

5. OTHER INCOME AND GAINS OR LOSSES, NET

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Bank interest income	2,850	5,971
Foreign exchange differences and other gains and losses, net	26,189	26,342
Net loss on financial liabilities at fair value through profit or loss	(74,792)	(59,347)
	<u>(45,753)</u>	<u>(27,034)</u>

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interest on loans from the ultimate holding company	–	70,236
Interest on loans from an intermediate holding company	230,701	450,295
Interest on bank borrowings	59,066	74,718
Interest on repurchase agreements and other activities	26,160	100,093
Interest on lease liabilities	1,730	955
	<u>317,657</u>	<u>696,297</u>

7. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Depreciation of property, plant and equipment	1,353	5,642
Depreciation of right-of-use assets	25,899	21,219
Auditor's remuneration – interim review	966	860
Employee benefit expenses (including directors' remuneration)	18,023	23,906
Net provision of impairment of amount due from an associate	8,665	–
Net provision for impairment of financial assets at fair value through other comprehensive income	9,866	6,926
Net provision for impairment of loans and advances to customers and other financial assets at amortised cost	74,633	678,777

8. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Current tax – Hong Kong	8,471	22,043
Deferred tax	(25)	55,588
	8,446	77,631

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the interim financial information. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

Hong Kong Profits Tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

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

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

	For the six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss		
Loss for the period attributable to equity holders of the Company, used as loss for the purpose of basic loss per share	<u>(507,975)</u>	<u>(263,806)</u>

	For the six months ended 30 June	
	2020	2019
	<i>'000</i>	<i>'000</i>
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of loss per share	<u>3,588,466</u>	<u>3,588,466</u>

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

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

	As at 30 June 2020	As at 31 December 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Assets		
Non-current:		
– Unlisted fund investments (<i>note (i)</i>)	<u>1,262,541</u>	<u>1,375,241</u>
Current:		
– Listed equity securities	565,813	914,567
– Listed fixed income securities	1,411,411	1,925,116
– Unlisted put options on listed equity securities, at fair value	<u>634,148</u>	<u>633,537</u>
	<u>2,611,372</u>	<u>3,473,220</u>
	<u>3,873,913</u>	<u>4,848,461</u>
Liabilities		
Current:		
Third-party interests in consolidated investment fund (<i>note (ii)</i>)	<u>–</u>	<u>39,023</u>

Notes:

- (i) As at 30 June 2020, included in financial assets at FVTPL are unlisted fund investments of approximately HK\$1,262,541,000 (31 December 2019: HK\$1,375,241,000) which are mainly investments in a portfolio of fixed income products to achieve capital appreciation and investment returns in the medium to long term basis. The Group does not expect to transfer the unlisted fund investment to third parties within the next twelve months and has accordingly classified them as non-current assets.
- (ii) Third-party interests in consolidated investment fund consist of third-party unitholders' interests in consolidated investment fund which are reflected as liabilities since they can be put back to the Group for cash. The realisation of third-party interests in investment fund cannot be predicted with accuracy since these represent the interests of third-party unitholders in consolidated investment fund that are subject to market risk and the actions of third-party investors.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Non-current		
Listed fixed income securities, at fair value	2,045,189	2,055,607
Current		
Listed fixed income securities, at fair value	<u>1,024,477</u>	<u>1,911,824</u>
	<u>3,069,666</u>	<u>3,967,431</u>

During the period, the loss in respect of changes in fair value of the Group's financial assets at FVTOCI recognised in other comprehensive income amounted to approximately HK\$60,148,000 (2019: a gain of approximately HK\$197,329,000). During the period, the Group has net provision for impairment of financial assets at fair value through other comprehensive income included in profit or loss of HK\$9,866,000 (2019: HK\$6,926,000). During the period, the Group disposed of financial assets at FVTOCI a loss of approximately HK\$16,166,000 (2019: a loss of approximately HK\$9,667,000) to independent third parties 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. OTHER LOANS AND RECEIVABLES

	As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
Other loans and receivables	3,517,053	809,807
Less: provision for impairment	(520,044)	(37,790)
	<u>2,997,009</u>	<u>772,017</u>
Analysed as:		
Secured	<u>2,997,009</u>	<u>772,017</u>

As at 30 June 2020, other loans and receivables included loans to independent third parties which are secured and/or backed by guarantees and collaterals, with contractual interest rates ranging from 7.5% to 12% per annum (31 December 2019: 6% to 12% per annum) with contractual maturity repayable on demand or up to 10 months from 30 June 2020 (31 December 2019: up to 6 months).

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

As at 30 June 2020, included in the Group's loan receivables balance are borrowers with aggregate carrying amount of HK\$345,350,000 (31 December 2019: HK\$757,216,000) which are past due as at the reporting date, of which HK\$330,539,000 (31 December 2019: HK\$757,216,000) has been past due 90 days or more.

As at 30 June 2020, the Group has concentration of credit risk of 81% (31 December 2019: 100%) of the total other loans and receivables was due from the Group's five largest other borrowing customers (31 December 2019: three largest other borrowing customers).

The management of the Group estimate 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 2020, the average loss rate for 12-month ECL, lifetime ECL (not credit-impaired) and lifetime ECL (credit-impaired) were 0.03% (31 December 2019: 0.01%), 0.01% (31 December 2019: nil) and 38% (31 December 2019: 5%) respectively.

As at 30 June 2020 and 31 December 2019, the contractual amount outstanding on other loans and receivables that have been written off, but were still subject to enforcement activity was nil.

During the period, the Group has signed deeds of assignment with certain margin customers, hence, the Group has transferred certain advances to customers in margin financing to other loans and receivables. As at 30 June 2020, net carrying amount of HK\$2,268,739,000 of other loans and receivables was originally transferred from advances to customers in margin financing.

13. ADVANCES TO CUSTOMERS IN MARGIN FINANCING

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Loans to customers in margin financing	1,539,031	4,214,066
Less: provision for impairment	(922,897)	(1,330,395)
	<u>616,134</u>	<u>2,883,671</u>

The loans 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 credit risk. Loans for margin financing are secured by the pledge of customers' securities as collateral. The credit facility limits to customers in margin financing are determined by the market value of the collateral securities accepted by the Group. Overdue balances are reviewed regularly by the management.

As at 30 June 2020, the Group has concentration of credit risk as 84% (31 December 2019: 65%) of the total loans to securities margin clients due from the Group's five largest securities margin clients.

In determining the allowances for credit impaired loans to margin clients, the management of the Group also takes into account shortfall by comparing the fair 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 estimate 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 2020, the average loss rate for 12-month ECL, lifetime ECL (not credit-impaired) and lifetime ECL (credit-impaired) were 0.07% (31 December 2019: 0.04%), nil (31 December 2019: 0.03%) and 65% (31 December 2019: 48%) respectively.

As at 30 June 2020 and 31 December 2019, the contractual amount outstanding on advances to customers in margin financing that have been written off, but were still subject to enforcement activity was nil.

14. ACCOUNTS RECEIVABLE

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Accounts receivable from:		
– securities, futures and options dealing services		
– clients	1,724	1,259
– brokers, dealers and clearing houses	106,105	71,125
– corporate finance/asset management	30,065	56,055
	137,894	128,439
Provision for impairment	(24,960)	(25,083)
	112,934	103,356

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

Normal settlement terms of accounts receivable arising from the business of corporate finance and asset management are determined in accordance with the agreed terms, usually on a quarterly basis.

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

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
0–30 days	107,200	97,476
31–90 days	303	456
91–365 days	–	–
Over 365 days	5,431	5,424
	<u>112,934</u>	<u>103,356</u>

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

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
At beginning of period/year	25,083	331
Provision for impairment, net	(123)	24,752
At end of period/year	<u>24,960</u>	<u>25,083</u>

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

As at 30 June 2020, accounts receivable amounting to HK\$30,065,000 (31 December 2019: HK\$56,055,000) are arising from corporate finance and assets management business which is under the scope of HKFRS 15. The Group performs impairment assessment under lifetime ECL on these balances individually for debtors. As at 30 June 2020, allowance amounting to HK\$24,683,000 (31 December 2019: HK\$24,807,000) is made accordingly.

The remaining provision for impairment of accounts receivable is the provision for individually impaired accounts receivable from securities clients of approximately HK\$277,000 (31 December 2019: HK\$276,000).

15. ACCOUNTS PAYABLE

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

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Current to 1 month	<u>919,941</u>	<u>1,355,529</u>

As at 30 June 2020, included in the accounts payable is the account payable to financial institutions of approximately HK\$491,738,000 (31 December 2019: HK\$948,433,000) which is maintained for the investment trading. The balance is interest bearing.

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

As at 30 June 2020, accounts payable with carrying amount of approximately HK\$427,314,000 (31 December 2019: HK\$406,679,000) are interest-bearing at bank savings deposit rates.

16. DIVIDENDS

No dividend was paid to the shareholders of the Company for six months ended 30 June 2020 and 30 June 2019.

The Board has resolved not to declare the payment of any interim dividend for the six months ended 30 June 2020 and 30 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2020 (the “**Period**”), the Group recorded a revenue of approximately HK\$361,852,000 (six months ended 30 June 2019 (the “**Last Period**”): approximately HK\$954,154,000), net loss on financial assets at fair value through profit or loss of approximately HK\$276,054,000 (Last Period: net gain of approximately HK\$378,252,000), net loss arising from disposal of financial assets at fair value through other comprehensive income of approximately HK\$16,166,000 (Last Period: loss of approximately HK\$9,667,000). Therefore, total revenue, investment gains and losses described above amounted to approximately HK\$69,632,000 (Last Period: net gains of approximately HK\$1,322,739,000). Net losses for the Period were approximately HK\$475,020,000 (Last Period: loss of approximately HK\$230,752,000), while loss attributable to the Shareholders for the Period was approximately HK\$507,975,000 (Last Period: loss of approximately HK\$263,806,000). The increase in loss attributable to Shareholders for the Period was principally due to a significant decrease in the revenue during the Period and a significant increase in the unrealised (non-cash) loss arising from the adverse fair value change of the financial assets at fair value through profit or loss during the Period. However, provisions for receivables, loans and advances in margin financing of the Group and finance costs for the Period both decreased, which narrowed the range of the net loss of the Group.

Basic loss per Share was HK\$14.16 cents for the Period as compared to basic loss per Share of HK\$7.35 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 diluted financial instrument for the Period and the Last Period.

MARKET REVIEW

In the first half of 2020, the world economy experienced significant volatility. The global pandemic of coronavirus (“**COVID-19**”), together with global economic and trade frictions and tensed geopolitical relations, struck a heavy blow on the world economy. In order to curb the spread of the pandemic, most of the economies implemented quarantine and regional lockdown measures which limited factor mobility and foreign exchange to a great extent, creating enormous impact on production and trading activities. According to the estimate of the International Monetary Fund, global growth is projected to be -4.9% in 2020, while global economy is projected to contract by 3%. To relieve the tremendous economic downward pressure, many countries promulgated large-scale fiscal and monetary stimulus policies in a row to maintain the current economic operation.

As a result, the consumption, investment and export in China took great hit, posing a tough challenge to China’s economy in the first quarter. Facing the pandemic and the prevailing global situation, China adopted a series of unusual measures with which it took the lead to contain the pandemic in the world and resumed normal operation and production entirely. In

the second quarter, under the support of a series of economic control and regulatory policies introduced by the Chinese government, China's economy rebounded rapidly to become the first among the world's major economies to recoup. The GDP in the second quarter increased by 3.2% year-on-year, indicating the swift recovery of national economy in a stable and positive manner.

Affected by a combination of factors including the COVID-19 pandemic, the contraction of global economy and the social events in Hong Kong, the four pillar industries in Hong Kong have suffered from the most severe economic downturn in the decade. Following the implementation of the Hong Kong national security law, Hong Kong will benefit from the stabilised social environment to give full play to its competitive edges. With the economic turnaround and the furtherance of reform and opening up in mainland China, Hong Kong is also expected to take advantages of the major national development strategies such as Guangdong-Hong Kong-Macau Greater Bay Area and the Belt and Road Initiative, and achieve gradual economic recovery from the plight.

BUSINESS REVIEW

In the first half of 2020, the complicated and ever-changing economic environment coupled with the impact of the COVID-19 pandemic created pressure on the market as a whole. These factors inevitably caused adverse impact on the financial performance of the Group in the first half of the year. Confronting the challenging external environment, the Group adhered to the strategy of making steady progress by enhancing risk management and control and returning to its core business. While seizing market opportunities arising in this special period with the full play of the synergic effect of its licence business, the Group also continued to explore business opportunities and expedited the business transformation and development.

During the Period, in view of the development of the COVID-19 pandemic, the Group also took various prevention measures and adopted a flexible working policy under which our employees are arranged to work from home by turns, so as to ensure normal business operation while attending to the family and personal health and safety of our employees.

Asset Management and Direct Investment

The asset management and direct investment segment provides asset management services, direct investments in stocks, bonds, funds, derivative instruments and other financial products and structured finance. Under the austere circumstances in the first half of 2020, the Group adopted a cautious approach to review its investment portfolio, strengthened various risk management and control measures such as those for market risks and credit risks, reviewed the operation of counterparties and the value of collaterals on a continuous basis, formulated corresponding risk prevention measures and enhanced post-investment management. Meanwhile, the Group proactively explored innovative business for non-performing assets with a focus on special opportunity investment funds, providing ancillary asset management service complementary to the Group's core businesses. For the Period, the segment revenue and investment losses was approximately HK\$98,439,000 as compared to a segment revenue

and investment gains of approximately HK\$1,043,898,000 for the Last Period. The decrease in investment gains was mainly due to the increase in net losses on financial assets at fair value through profit or loss. The segment result was a loss of approximately HK\$93,429,000 as compared to a profit of approximately HK\$1,016,788,000 for the Last Period.

Securities

Securities business segment includes provision of brokerage services, margin financing and stocks, futures and options trading services. In the first half of the year, the Group addressed effectively the adverse impact caused by the COVID-19 pandemic on the expansion of the securities business. We continued to foster compliant business operation, seized the opportunities in the active trading market, and made greater marketing efforts, hence achieving steady improvement in the operating results of the securities business. For the Period, the revenue and other gains from the securities segment was approximately HK\$114,605,000, as compared to approximately HK\$222,744,000 for the Last Period. The segment result amounted to a loss of approximately HK\$10,221,000, as compared to a loss of approximately HK\$462,370,000 for the Last Period.

Corporate Finance

The corporate finance segment is devoted to providing institutional clients with comprehensive securities issuance and underwriting and financing advisory services. In the first half of 2020, the Group conducted the sale of USD bond to clients through multiple channels and promoted steady business development. For the Period, revenue from the corporate finance segment amounted to approximately HK\$235,000 as compared to revenue of approximately HK\$13,261,000 for the Last Period; the segment result for the Period was a loss of approximately HK\$1,520,000 as compared to a gain of approximately HK\$4,706,000 for the Last Period.

PROSPECTS

In the second half of 2020, as the COVID-19 pandemic sustains, many economies have been maintaining lockdown measures in a bid to contain the outbreak, causing tremendous uncertainties to the world economy. China's economy will continue to face considerable challenges. Nevertheless, with the pandemic receding in China, macro policies starting to take effect and market expectations improving, the unleashing of suppressed consumption and investment demand is accelerating, thereby expediting the recovery of China's economy. China's economy is expected to be the first among the world's economies to recoup, which serves as a strong engine for the recovery of the world economy. Following the third wave of outbreak, Hong Kong's severely-hit economy even aggravated. According to the latest estimate of Morgan Stanley, the annual GDP of Hong Kong may contract by 9.5% in the worst scenario and may take over two years to revert to the level before the outbreak. After the promulgation and implementation of the Hong Kong national security law, the prosperity and stability of Hong Kong can be ensured, laying solid foundation for economic recovery. Driven by the opportunities arising from the recovery of China's economy, Hong Kong's economy will embrace development opportunities in the long term.

In face of pressure on multiple fronts, the Group will closely monitor global developments, national policies and market dynamics, seeking to conquer difficulties and hardships and seize hold of strategic opportunities. The Group will also realise transformational development in adherence to the general principle of making steady progress with an emphasis on quality improvement and efficiency enhancement. On 3 July 2020, the Group put forward a proposal of privatisation to Huarong Investment Stock Corporation Ltd. (“**HRIV**”, a company listed on the Stock Exchange (stock code:2277) and under common control of CHIH), which, if approved, will create a unified platform. Such combination is conducive to HRIF by achieving economies of scale and cost savings, facilitating steady growth of our license business. Under the strong support of China Huarong, the unified platform will enable more efficient and focused use of the network and resources of the China Huarong brand. HRIV’s rich client resources could also effectively strengthen HRIF’s businesses. After the combination, the Group will be more well-positioned to implement the development strategies of “investment + corporate finance” and “license + core business”, thus enhancing our long-term potential and realising long-term growth.

FINANCIAL REVIEW

Capital Structure

As at 30 June 2020, the total number of issued Shares of the Company (with the par value of HK\$0.001 each) was 3,588,466,011 and the total equity attributable to Shareholders was approximately HK\$2,336,781,000 as compared to approximately HK\$1,329,097,000 as at 31 December 2019, representing an increase of approximately 75.8%.

Liquidity and Financial Resources

The Group reviews its liquidity position regularly and manages liquidity and financial resources actively according to the changes in economic environment and business development needs. As at 30 June 2020, the Group had total cash and cash equivalents amounting to approximately HK\$1,571,377,000 as compared to approximately HK\$3,069,944,000 as at 31 December 2019, excluding client funds that were kept in separate designated bank accounts of approximately HK\$411,822,000 (as compared to HK\$389,202,000 as at 31 December 2019). The Group’s gearing ratio as at 30 June 2020 was 346.1% as compared to 879.6% as at 31 December 2019, being calculated as borrowings over the Group’s shareholders’ equity. The decrease in gearing ratio was attributable to the decrease in the Group’s loans in the Period. As at 30 June 2020, the Group obtained shareholder loans in an aggregate principal amount of approximately US\$685,115,000 (equivalent to approximately HK\$5,270,931,000) (31 December 2019: approximately US\$1,161,685,000 (equivalent to approximately HK\$9,048,335,000)) from CHIH to support the business of the Group.

As at 30 June 2020, the Group had undrawn bank facilities of approximately HK\$1,626,000,000 (31 December 2019: approximately HK\$1,625,500,000) and the Group utilised approximately HK\$2,819,030,000 (31 December 2019: approximately HK\$2,642,528,000) of the relevant banking facilities.

As at 30 June 2020, the Group had no bank borrowings in breach of any financial conditions or cross-default clauses.

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

Charges on Group Assets

As at 30 June 2020, the Group had not pledged any assets (31 December 2019: 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 Hong Kong dollars are pegged to United States dollars and the revenue from the PRC operations only represents a small fraction of the Group's total revenue. Other foreign currency exposure is relatively minimal when compared to our total assets and liabilities. As a result, we consider that our foreign exchange risk exposure is manageable and the Group will closely monitor the risk exposure from time to time.

Contingent Liabilities

Regarding the alleged claims against Huarong International Securities Limited (formerly known as United Simsen Securities Limited) (“**HISL**”), an indirectly wholly-owned subsidiary of the Company, that was previously disclosed, the plaintiff and HISL reached a settlement in respect with such proceeding and the consent order made by the Court of First Instance of the High Court of the Hong Kong Special Administrative Region became effective on 9 March 2020. The Directors consider that it is not probable that an outflow of resources embodying economic benefits will be required to settle these alleged claims as at 30 June 2020 and 31 December 2019.

Save as disclosed above, the Group had no other material contingent liabilities at 30 June 2020 and 31 December 2019.

Significant Securities Investment

The Group is primarily engaged in the provision of financial services, including but not limited to asset management and direct investment, securities and corporate finance services. During the Period, the Group held securities investments such as listed preference shares, listed equity investments, listed bonds and unlisted fund investments. As at 30 June 2020, the Group did not hold any significant investments which constitute 5% or more of its total assets.

Interim Dividend

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

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2020, the Group employed a total of 54 employees (31 December 2019: 71 employees). The Group's staff recruitment and promotion are primarily based on individuals' merits, relevant experiences, development potentials for the positions offered and performance. Staff remuneration and benefit policies, which are formulated by reference to the market situation, are competitive and performance based.

CHANGES IN DIRECTORS AND INFORMATION OF DIRECTORS

Pursuant to Rule 13.51(B) of the Listing Rules, changes in Directors and information of Directors subsequent to the date of the 2019 annual report of the Company are as follows:

- (1) Ms. Wang Qi was appointed as a non-executive Director and a member of the risk management committee of the Company on 15 June 2020;
- (2) Ms. Wang Qi was appointed as a non-executive Director and a member of the risk management committee of HRIV on 15 June 2020;
- (3) Mr. Hung Ka Hai Clement, an independent non-executive Director, resigned as an independent non-executive director of Zhongchang International Holdings Group Limited (formerly known as Henry Group Holdings Limited), a company listed on the Stock Exchange (stock code: 859), with effect from 15 June 2020;
- (4) Mr. Guan Huanfei, an independent non-executive Director, resigned as an independent non-executive director of HongDa Financial Holding Limited, a company listed on the Stock Exchange (stock code: 1822), with effect from 15 May 2020;
- (5) Mr. Guan Huanfei, an independent non-executive Director, was appointed as an executive director and chairman of the board of Enterprise Development Holdings Limited, a company listed on the Stock Exchange (stock code: 1808), with effect from 2 June 2020;
- (6) Mr. Yu Meng resigned as Chairman of the Board and an executive Director with effect from 24 August 2020;
- (7) Mr. Yang Rungui was appointed as Chairman of the Board and an executive Director on 24 August 2020; and
- (8) Mr. Yang Rungui, an executive Director, was appointed as an executive director and chairman of the board of HRIV with effect from 25 August 2020.

EVENTS AFTER THE END OF THE PERIOD

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

- (1) On 3 July 2020, the Board of the Company requested the Board of HRIV to put forward a proposal regarding the privatization of HRIV by the Company by way of a scheme of arrangement under section 86 of the Companies Law (2020 Revision) of the Cayman Islands (as consolidated and revised from time to time). For further details, please refer to the joint announcement of the Company and HRIV dated 6 July 2020.
- (2) The Company entered into a supplemental facility letter with a bank to renew an uncommitted revolving credit facilities in an aggregate principal amount of up to US\$40,000,000. For further details, please refer to the announcement of the Company dated 11 August 2020.
- (3) Mr. Yu Meng resigned as Chairman of the Board and an executive Director with effect from 24 August 2020; and Mr. Yang Rungui was appointed as Chairman of the Board and an executive Director on 24 August 2020. For further details, please refer to the announcement of the Company dated 24 August 2020.

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.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

REVIEW OF THE INTERIM FINANCIAL INFORMATION

The Audit Committee of the Company has reviewed the unaudited interim financial information of the Group for the six months ended 30 June 2020, including the accounting principles and practices adopted by the Group.

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.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for Period will be despatched to Shareholders of the Company and published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hrif.com.hk) in September 2020.

By order of the Board
Huarong International Financial Holdings Limited
Yang Rungui
Chairman

Hong Kong, 26 August 2020

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