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華融國際金融控股有限公司
HUARONG INTERNATIONAL FINANCIAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 993)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the "**Board**") of directors (the "**Directors**") of Huarong International Financial Holdings Limited (the "**Company**") is pleased to present to its shareholders (the "**Shareholders**") the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**"), which is extracted from the consolidated financial statements for the year ended 31 December 2022 (the "**Year**"), together with the comparative figures for the year ended 31 December 2021 (the "**Last Year**") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Notes	**2022** *HK$'000*	2021 *HK$'000*
REVENUE			
Commission and fee income	5	**13,026**	33,052
Interest income	5		
Interest income calculated using the effective interest method		**151,266**	294,050
Others		**89,697**	155,423
Investment income	5	**22,641**	4,067
		276,630	486,592

	Notes	**2022**	2021
		HK$'000	*HK$'000*
Net loss on financial assets at fair value through profit or loss		**(334,109)**	(417,698)
Net gain arising from disposal of financial assets at fair value through other comprehensive income		**16,507**	2,530
Net loss arising from disposal of financial assets at amortised cost		**(217,712)**	–
Other income and gains or losses, net		**(105,377)**	22,306
Brokerage and commission expenses		**(3,254)**	(11,841)
Administrative and other operating expenses		**(247,343)**	(236,888)
Impairment losses, net		**(1,219,618)**	(885,232)
Finance costs	6	**(379,368)**	(482,562)
Loss on disposal of subsidiaries		**(40,843)**	(26,729)
LOSS BEFORE TAX	7	**(2,254,487)**	(1,549,522)
Income tax credit/(expense)	8	**26,461**	(52,770)
LOSS FOR THE YEAR		**(2,228,026)**	(1,602,292)
Attributable to:			
Equity holders of the Company		**(2,500,007)**	(1,823,044)
Holder of perpetual capital securities		**219,423**	157,324
Non-controlling interests		**52,558**	63,428
		(2,228,026)	(1,602,292)
BASIC LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9	**(HK28.7 cents)**	(HK20.9 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2022	2021
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(2,228,026)**	(1,602,292)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequently periods:		
Fair value loss on financial assets at fair value through other comprehensive income	**(99,785)**	(58,988)
Net provision for impairment of financial assets at fair value through other comprehensive income included in profit or loss	**141,637**	186,727
Reclassification adjustments relating to disposal of financial assets at fair value through other comprehensive income during the year	**(16,507)**	(2,530)
Exchange differences on translation of foreign operations, net	**28,100**	(887)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**53,445**	124,322
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(2,174,581)**	(1,477,970)
Attributable to:		
Equity holders of the Company	**(2,446,562)**	(1,698,722)
Holder of perpetual capital securities	**219,423**	157,324
Non-controlling interests	**52,558**	63,428
	(2,174,581)	(1,477,970)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Notes	**31 December 2022** **HK$'000**	31 December 2021 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**4,449**	13,101
Other long term assets		**1,043**	4,498
Intangible assets		**2,350**	2,350
Right-of-use assets		**29,743**	79,711
Financial assets at fair value through profit or loss	10	**751,005**	1,283,142
Financial assets at fair value through other comprehensive income	11	**158,251**	282,549
Finance lease receivables	12	**–**	40,525
Other loans and debt instruments	13	**255,821**	815,049
Prepayments, deposits and other receivables		**44**	21,728
Total non-current assets		**1,202,706**	2,542,653
CURRENT ASSETS			
Advances to customers in margin financing	14	**43,055**	43,738
Accounts receivable	15	**540,914**	820,087
Prepayments, deposits and other receivables		**149,364**	357,817
Financial assets at fair value through profit or loss	10	**993,443**	2,031,528
Financial assets at fair value through other comprehensive income	11	**47,164**	135,177
Finance lease receivables	12	**376,565**	802,332
Other loans and debt instruments	13	**237,874**	327,874
Amounts due from related parties		**16,005**	4,539
Tax recoverable		**161**	56,655
Restricted bank balances		**124,535**	215,590
Deposits in other financial institutions		**13,527**	14,457
Cash and deposits with banks		**1,986,641**	1,852,784
Total current assets		**4,529,248**	6,662,578

	Notes	**31 December 2022** *HK$'000*	31 December 2021 *HK$'000*
CURRENT LIABILITIES			
Accounts payable	16	**125,625**	224,432
Other liabilities, payables and accruals		**199,758**	310,452
Interest-bearing borrowings		**1,599,000**	2,486,097
Repurchase agreements		**107,331**	474,139
Amounts due to related parties		**62,322**	56,034
Tax payable		**63,444**	77,930
Lease liabilities		**28,907**	58,331
Financial liabilities at fair value through profit or loss	10	**–**	55,088
Total current liabilities		**2,186,387**	3,742,503
NET CURRENT ASSETS		**2,342,861**	2,920,075
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,545,567**	5,462,728
NON-CURRENT LIABILITIES			
Other liabilities, payables and accruals		**3,504**	1,416
Interest-bearing borrowings		**4,274,440**	5,927,609
Lease liabilities		**505**	29,697
Total non-current liabilities		**4,278,449**	5,958,722
Net liabilities		**(732,882)**	(495,994)
EQUITY			
Share capital		**8,710**	8,710
Share premium and reserves		**(6,984,076)**	(4,537,514)
Equity attributable to owners of the Company		**(6,975,366)**	(4,528,804)
Perpetual capital securities classified as equity instruments		**6,242,484**	2,755,781
Non-controlling interests		**–**	1,277,029
Total equity		**(732,882)**	(495,994)

Notes:

1. CORPORATE AND GROUP 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, futures and options contracts, margin financing, loan financing, financial advisory, direct investments, investment holding, provision of advising on corporate finance services and provision of management and consultancy services. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of operations of the Company has been changed from Unit A, 16th floor & Unit A, 17th floor, Two Pacific Place, 88 Queensway, Hong Kong to 15th floor, China Huarong Tower, 60 Gloucester Road, Wanchai, Hong Kong, with effect from 10 May 2022. The intermediate controlling shareholder of the Company is China Huarong International Holdings Limited ("**CHIH**") that is incorporated in Hong Kong through Camellia Pacific Investment Holding Limited and Right Select International Limited, both of which are incorporated in the British Virgin Islands and wholly-owned subsidiaries of CHIH. China Huarong Asset Management Co., Ltd. ("**China Huarong**"), a company established in the PRC and whose shares are listed on the Stock Exchange, became the ultimate holding company since 2015. Currently, major Shareholders of China Huarong include the Ministry of Finance (the "**MOF**"), CITIC Group Corporation, China Insurance Rongxin Private Fund Co., Ltd., China Life Insurance (Group) Company, Warburg Pincus and Sino-Ocean Group Holding Limited.

2. BASIS OF PREPARATION

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

These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern basis

As at 31 December 2022, the Group had net liabilities of HK$733 million (2021: net liabilities of HK$496 million) and incurred a loss of HK$2,228 million (2021: net loss of HK$1,602 million) for the year then ended.

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

(i) Continuous securing of certain bank borrowings

The Group completed its negotiations with several banks for extensions of certain bank borrowings during 2022. Pursuant to the agreements with the banks, the next review dates of bank borrowings of HK$775 million, HK$624 million and HK$200 million will be April 2023, August 2023 and August 2023, respectively.

(ii) Utilisation of banking facilities

As at 31 December 2022, the Group has total bank credit facilities of approximately HK$2,480,870,000 (2021: approximately HK$2,931,923,000), of which HK$1,599,000,000 (2021: HK$1,599,000,000) were utilised by the Group.

(iii) Support from intermediate controlling shareholder

The Group has obtained a letter of support from its intermediate controlling shareholder, CHIH, who has confirmed its intention to provide sufficient financial support to the Group to enable it to meet its obligations and liabilities as and when they fall due, where the Directors are of the opinion that the financial support from CHIH will continue to be forthcoming. As at 31 December 2022, CHIH, directly and indirectly through its subsidiaries, lent an aggregate of HK$10.5 billion to the group in forms of intercompany loans and perpetual securities (2021: HK$10.8 billion). Depending on the need for working capital, the Group may need to obtain the loans at different times and amounts. There are no intercompany borrowings to be due within the next twelve months from 31 December 2022.

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

In respect of public trade bonds the listed equity securities in Hong Kong held by the Group which are classified either as financial assets at fair value through profit or loss or as financial assets at fair value through other comprehensive income in the consolidated statement of financial position as at 31 December 2022, the Directors are of the opinion that the Group would be able to dispose of such investments as and when needed to alleviate the Group's liquidity pressure.

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

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

(vi) Actively develop licensed business

Securities:

(1) Focus on expanding institutional business and improve the profit contribution from institutional business.

(2) Collaborate with different segments to provide customers with comprehensive financial services of "investment + intelligence".

(3) Focus on retail market segments and wealth management business.

Asset management:

(1) Implement the fund investment-focused strategy.

(2) Focus on the transformation of "big non-performing" alternative investment and actively manage asset management business.

(3) Promote the characteristic model of main business and licensed business.

(4) Actively expand non-performing asset restructuring and mergers, alternative special direct investment and other asset management fund products.

(5) Based on the existing funds and new development of fund business, with existing platforms and personnel, focus on strengthening customer marketing efforts on the investment side and financing side, and strengthening the coordination and linkage within the Huarong Group, cross-combining investment banking business, investment business to give full play to the synergic effect of our licensed business.

Corporate Finance:

(1) Focus on the underwriting, pricing and issuance of Hong Kong stock IPOs, focus on sub-sectors such as medicine and medical care, real estate, property, finance, etc., and continue to focus on key execution projects.

(2) In coordination with major non-performing main businesses, focus on arranging merger and acquisition opportunities for restructured assets.

(3) Undertake projects such as mergers and acquisitions, privatisation, cross-border mergers and acquisitions, and give full play to the company's brand effect and the advantages of capital investment banks.

(4) Focus on the main business of licenses and resume the development of debt underwriting business.

(5) Take the initiative, strengthen resource coordination and external cooperation, and expand business network.

The Directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from 31 December 2022. They are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2022. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee.

(b) rights arising from other contractual arrangements.

(c) the Group's voting rights and potential voting rights.

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

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

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

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

(a) Amendments to HKFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting (the "**Conceptual Framework**") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

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

- HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

4. OPERATING SEGMENT INFORMATION

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

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

(a) the securities segment comprises the broking and dealing of securities, futures and options contracts and the provision of margin financing services.

(b) the corporate finance segment provides securities underwriting and sponsoring and financing advisory services to institutional clients.

(c) the asset management and direct investment segment comprises the 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 loss before tax except that certain other income and gains or losses, certain finance costs and other unallocated expenses (including certain staff costs, certain rental expenses, certain depreciation, certain legal and professional fees and certain other expenses, incurred for strategic planning of the Group) are excluded from such measurement.

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

(a) Operating segments

The following tables present the revenue and results for the year ended 31 December 2022 and 2021 for the Group's operating segments.

For the year ended 31 December 2022

	Securities	Corporate finance	Asset management and direct investment	Financial services and others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue					
Commission and fee income	**11,216**	**502**	**1,308**	**–**	**13,026**
Interest income	**4,157**	**–**	**201,206**	**35,600**	**240,963**
Investment income	**–**	**–**	**22,641**	**–**	**22,641**
	15,373	**502**	**225,155**	**35,600**	**276,630**
Net loss on financial assets at fair value through profit or loss	**–**	**–**	**(334,109)**	**–**	**(334,109)**
Net gain arising from disposal of financial assets at fair value through other comprehensive income	**–**	**–**	**16,507**	**–**	**16,507**
Net loss arising from disposal of financial assets at amortised cost	**(617)**	**–**	**(217,095)**	**–**	**(217,712)**
Other income and gains or losses, net	**670**	**47**	**(3,888)**	**(113,111)**	**(116,282)**
	15,426	**549**	**(313,430)**	**(77,511)**	**(374,966)**
Segment results	**(39,700)**	**(8,925)**	**(1,702,167)**	**(419,907)**	**(2,170,699)**
Unallocated other income and gains or losses, expenses, net					**(83,788)**
Loss before tax					**(2,254,487)**
Income tax credit					**26,461**
Loss for the year					**(2,228,026)**

Other segment information for the year ended 31 December 2022

	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	–	–	(369,570)	–	(9,798)	(379,368)
Net provision for impairment of other loans and debt instruments	–	–	(336,097)	–	–	(336,097)
Net provision for impairment of advances to customers in margin financing	(11,033)	–	–	–	–	(11,033)
Net provision for impairment of finance lease receivables	–	–	–	(337,520)	–	(337,520)
Net provision for impairment of financial assets at fair value through other comprehensive income	–	–	(141,637)	–	–	(141,637)
Net provision for impairment of other financial assets at amortised cost	(5)	–	(393,326)	–	–	(393,331)
Depreciation	(34)	–	(65,311)	–	(5,155)	(70,500)

For the year ended 31 December 2021

	Securities *HK$'000*	Corporate finance *HK$'000*	Asset management and direct investment *HK$'000*	Financial services and others *HK$'000*	Total *HK$'000*
Segment revenue					
Commission and fee income	26,675	4,387	1,990	–	33,052
Interest income	10,101	–	366,730	72,642	449,473
Investment income	–	–	4,067	–	4,067
	36,776	4,387	372,787	72,642	486,592
Net loss on financial assets at fair value through profit or loss	–	–	(417,698)	–	(417,698)
Net gain arising from disposal of financial assets at fair value through other comprehensive income	–	–	2,530	–	2,530
Other income and gains or losses, net	(2,044)	214	46,524	(36,444)	8,250
	34,732	4,601	4,143	36,198	79,674

	Securities *HK$'000*	Corporate finance *HK$'000*	Asset management and direct investment *HK$'000*	Financial services and others *HK$'000*	Total *HK$'000*
Segment results	(44,093)	(8,408)	(1,276,665)	(83,276)	(1,412,442)
Unallocated other income and gains or losses, expenses, net					(137,080)
Loss before tax					(1,549,522)
Income tax expense					(52,770)
Loss for the year					(1,602,292)

Other segment information for the year ended 31 December 2021

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

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

As at 31 December 2022

	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	**1,266,161**	**22,578**	**1,981,265**	**585,081**	**3,855,085**
Other unallocated assets					**1,876,869**
Total assets					**5,731,954**
Total segment liabilities	**177,966**	**100**	**71,253**	**302,479**	**551,798**
Other unallocated liabilities					**5,913,038**
Total liabilities					**6,464,836**

As at 31 December 2021

	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	1,624,671	37,182	4,979,946	1,072,869	7,714,668
Other unallocated assets					1,490,563
Total assets					9,205,231
Total segment liabilities	339,570	–	1,007,460	82,862	1,429,892
Other unallocated liabilities					8,271,333
Total liabilities					9,701,225

(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**	
	2022	2021	**2022**	2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**240,136**	380,358	**36,537**	95,156
Mainland China	**36,494**	106,234	**5**	6
Total	**276,630**	486,592	**36,542**	95,162

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

(c) Information about major customers

During the year ended 31 December 2022, one external customer contributed more than 10% of total revenue of the Group (2021: one external customer):

	2022	2021
	HK$'000	*HK$'000*
Customer A from asset management and direct investment:	**39,249**	52,304

5. REVENUE

The Group's revenue is disaggregated as follows:

	2022	2021
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Commission and fee income *(note (i))*:		
Fee and commission income on securities dealing and brokerage	**11,050**	25,212
Placing and underwriting fee income	**252**	4,387
Consultancy and financing advisory fee income	**274**	188
Fund subscription and management fee income	**1,308**	1,990
Other service income	**142**	1,275
	13,026	33,052

	2022	2021
	HK$'000	*HK$'000*
Revenue from other sources		
Interest income:		
Interest income calculated using the effective interest method		
Interest income from other loans and debt instruments	**111,509**	211,307
Interest income from finance lease receivables	**35,600**	72,642
Interest income from margin financing activities	**4,157**	10,101
	151,266	294,050
Interest income – others:		
Interest income from financial assets at fair value through profit or loss	**72,958**	75,914
Interest income from financial assets at fair value through other comprehensive income	**16,739**	79,509
	89,697	155,423
Total interest income	**240,963**	449,473
Investment income:		
Dividend income	**22,641**	4,067
Total revenue	**276,630**	486,592

Note:

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

	2022	2021
	HK$'000	*HK$'000*
Services transferred at a point in time	**11,444**	30,874
Services transferred over time	**1,582**	2,178
Total revenue from contracts with customers	**13,026**	33,052

6. FINANCE COSTS

	2022	2021
	HK$'000	*HK$'000*
Interest on bank borrowings	**60,363**	77,567
Interest on repurchase agreements and other activities	**9,829**	24,942
Interest on borrowing from an intermediate holding company		
– repayable on demand and within one year	**64,237**	21,668
– repayable in more than one year but not more than five years	**137,803**	225,150
Interest on borrowings from a fellow subsidiary		
– repayable on demand and within one year	**–**	27,110
– repayable in more than one year but not more than five years	**2,791**	–
Interest on borrowings from an immediate holding company		
– repayable on demand and within one year	**–**	13,800
– repayable in more than one year but not more than five years	**101,576**	86,978
Interest on lease liabilities	**2,769**	5,347
	379,368	482,562

7. LOSS BEFORE TAX

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

	2022	2021
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**9,402**	12,250
Depreciation of right-of-use assets	**61,098**	51,190
Gain on disposal of property, plant and equipment	**(387)**	–
Auditor's remuneration	**6,013**	6,774
Legal and professional fees	**12,321**	23,104
Salaries, bonuses and allowances (including directors' remuneration)	**54,700**	61,760
Pension scheme contributions (including directors' remuneration)	**1,729**	1,538
Net provision for impairment of other loans and debt instruments	**336,097**	405,926
Net reversal of impairment of an amount due from an associate	**–**	(23,423)
Net provision for impairment of advances to customers in margin financing	**11,033**	37,718
Net provision for impairment of finance lease receivables	**337,520**	74,281
Net provision for impairment of financial assets at fair value through other comprehensive income	**141,637**	186,727
Net provision for impairment of accounts receivable	**365,008**	185,255
Net provision for impairment of other assets	**28,323**	18,748

8. INCOME TAX

	2022	2021
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**1,491**	2,631
Over provision in prior years:		
Hong Kong	**(27,952)**	–
Deferred tax	**–**	50,139
	(26,461)	52,770

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

Hong Kong Profits Tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries in Mainland China was 25% for the year (2021: 25%).

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

	2022	2021
	HK$'000	*HK$'000*
Loss before tax	**(2,254,487)**	(1,549,522)
Tax at the statutory tax rate of 16.5% (2021: 16.5%)	**(371,990)**	(255,671)
Over provision in prior years	**(27,952)**	–
Income not subject to tax	**(8,543)**	(60,911)
Expenses not deductible for tax	**41,527**	45,737
Effect of tax loss not recognised	**232,982**	199,654
Temporary difference not recognised	**155,989**	57,415
Tax loss utilised	**(12,865)**	(432)
Reversal of deferred tax previously recognised	**–**	52,232
Effect of different tax rate of subsidiaries operating on other jurisdiction	**(35,609)**	14,746
Tax (credit)/charge for the year	**(26,461)**	52,770

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

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

	2022	2021
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	**(2,500,007)**	(1,823,044)

	Number of shares	
	2022	2021
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**8,709,586**	8,709,586

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

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

	2022	2021
	HK$'000	*HK$'000*
Financial assets at FVTPL		
Non-current:		
– Unlisted fund investments *(note (i))*	**533,830**	1,283,142
– Listed fixed income securities	**217,175**	–
	751,005	1,283,142
Current:		
– Unlisted fund investments *(note (i))*	**479,717**	259,271
– Listed equity investments	**63,492**	275,300
– Listed fixed income securities	**55,583**	1,084,340
– Unlisted fixed income securities *(note (ii))*	**394,651**	412,617
	993,443	2,031,528
Total financial assets at FVTPL	**1,744,448**	3,314,670
Financial liabilities at FVTPL		
Current:		
Unlisted foreign exchange forward contracts	**–**	17,530
Payables to interest holders of an unlisted consolidated investment fund, measured at FVTPL *(note (iii))*	**–**	37,558
Total financial liabilities at FVTPL	**–**	55,088

Notes:

(i) The Group expects to realise the unlisted fund investments of approximately HK$479,717,000 (2021: HK$259,271,000) within the next twelve months and has accordingly classified them as current assets.

(ii) The coupon rates of these unlisted fixed income securities range from 7% to 8% (2021: from 7% to 8%) per annum as at 31 December 2022. The Group expects to realise such unlisted fixed income securities within the next twelve months.

(iii) Third-party interests in an unlisted consolidated investment fund consist of third-party unitholders' interests in an unlisted consolidated investment fund which are classified as liabilities as at 31 December 2021. The interests had been redeemed by the third-party unitholders upon the liquidation of the unlisted consolidated investment fund during 2022.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022	2021
	HK$'000	*HK$'000*
Non-current:		
Fixed income investments, at fair value	**158,251**	282,549
Current:		
Fixed income investments, at fair value	**47,164**	135,177
	205,415	417,726

During the year, the loss in respect of changes in the fair value of the Group's financial assets at FVTOCI recognised in other comprehensive income amounted to approximately HK$99,785,000 (2021: loss of approximately HK$58,988,000). During the year, the Group has made net provision for impairment of financial assets at fair value through other comprehensive income included in profit or loss of HK$141,637,000 (2021: HK$186,727,000). Total allowance for impairment as at 31 December 2022 are HK$431,129,000 (2021: HK$409,811,000). During the year, the Group disposed of financial assets at FVTOCI to independent third parties and a gain of approximately HK$16,507,000 (2021: a gain of HK$2,530,000) was reclassified from other comprehensive income to profit or loss upon disposal.

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

12. FINANCE LEASE RECEIVABLES

31 December 2022

	HK$'000
Current	**376,565**
	376,565

	Minimum finance lease receivables	Present value of minimum finance lease receivables
	HK$'000	***HK$'000***
Within one year	**1,125,516**	**1,124,282**
After one year but within two years	**–**	**–**
	1,125,516	**1,124,282**
Less: Unearned finance income	**(1,234)**	**–**
	1,124,282	**1,124,282**
Less: Allowance for expected credit losses ("**ECL**")	**(747,717)**	**(747,717)**
Carrying amount of finance lease receivables	**376,565**	**376,565**

31 December 2021

	HK$'000
Non-current	40,525
Current	802,332
	842,857

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

Movement of ECL

	HK$'000
At 1 January 2021	393,847
Net provision for impairment for the year	74,281
At 31 December 2021 and 1 January 2022	**468,128**
Net provision for impairment for the year	**337,520**
Written off	**(3,668)**
Exchange difference on translation of foreign operations	**(54,263)**
At 31 December 2022	**747,717**

At 31 December 2022, finance lease receivables were all secured by the lease assets which are mainly machineries, motor vehicles and equipment. Interest rates of the above finance leases ranged from 6.80% to 9.75% per annum (2021: 6.80% to 9.75% per annum).

13. OTHER LOANS AND DEBT INSTRUMENTS

	2022	2021
	HK$'000	*HK$'000*
Other loans and debt instruments	**1,282,822**	4,424,794
Less: Allowance for expected credit losses	**(789,127)**	(3,281,871)
	493,695	1,142,923
Analysed as:		
Non-current	**255,821**	815,049
Current	**237,874**	327,874
	493,695	1,142,923

As at 31 December 2022, other loans and debt instruments have contractual interest rates ranging from 8% to 9.5% per annum (2021: 6% to 10% per annum).

As at 31 December 2022, other loans and debt instruments with a carrying amount of approximately HK$493,695,000 were secured by equity interests in companies listed in Hong Kong and land and properties in Mainland China (2021: approximately HK$1,120,423,000 were secured by equity interests in companies listed in Hong Kong, residential properties in Hong Kong, land and properties in Mainland China, land and properties in the United States, and unlisted equity interests which were backed by guarantees from corporates or individuals). There was nil unsecured other loans and debt instruments as at 31 December 2022 (2021: HK$22,500,000 which were guaranteed by an independent third party).

As at 31 December 2022, other loans and debt instruments with a carrying amount of approximately HK$237,874,000 (2021: 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 minimise 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 losses 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 collaterals 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 31 December 2022, the gross carrying amount for 12-month ECL, lifetime ECL (not credit-impaired) and lifetime ECL (credit-impaired) were nil (2021: nil), HK$153,118,000 (2021: HK$273,437,000) and HK$1,129,704,000 (2021: HK$4,151,357,000), respectively.

As at 31 December 2022, the average loss rates for 12-month ECL, lifetime ECL (not credit-impaired) and lifetime ECL (credit-impaired) were nil (2021: nil), 0.01% (2021: 0.01%) and 70% (2021: 79%), respectively.

As at 31 December 2022, the contractual amount outstanding on other loans and debt instruments that have been written off was HK$580,639,000 (2021: HK$27,513,000).

Novation loans

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

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

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

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

As at 31 December 2022, there was a further reduction in the carrying amount of the assigned loans as compared to the position as at the assignment date as a result of increase of provision for impairment and disposal during the year. The assigned loans have gross amount of HK$881,325,000 (2021: HK$2,432,509,000) and allowance for expected credit losses of HK$625,504,000 (2021: HK$1,617,460,000), resulting in a net balance of HK$255,821,000 (2021: HK$815,049,000).

14. ADVANCES TO CUSTOMERS IN MARGIN FINANCING

	2022	2021
	HK$'000	*HK$'000*
Advances to customers in margin financing	**126,283**	904,909
Less: Allowance for expected credit losses	**(83,228)**	(861,171)
	43,055	43,738

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

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

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

All the pledged securities were listed equity securities in the respective stock exchanges in Hong Kong as at 31 December 2022 and 2021. The loans are repayable on demand subsequent to the settlement date of the trade and normally carry interest at nil to Hong Kong Prime Rate + 15% per annum (2021: nil to Hong Kong Prime Rate + 15% per annum).

As at 31 December 2022, the Group has concentration of credit risk as 86% (2021: 93%) of the total advances to securities margin clients due from the Group's five largest securities margin clients.

In determining the allowances for credit impaired loans to margin clients, the management of the Group also takes into account the shortfall by comparing the market value of securities pledged as collateral and the outstanding balance of the loan to margin clients individually taking into account of the subsequent settlement or executable settlement plan and restructuring arrangements. The management of the Group estimates the amount of expected credit loss allowance on these credit impaired loan receivables by assessing the present 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 31 December 2022, the gross carrying amount for 12-month ECL, lifetime ECL (not credit-impaired) and lifetime ECL (credit-impaired) were HK$33,008,000 (2021: HK$25,901,000), nil (2021: nil) and HK$93,275,000 (2021: HK$879,008,000), respectively.

As at 31 December 2022, the average loss rates for 12-month ECL, lifetime ECL (not credit-impaired) and lifetime ECL (credit-impaired) were 0.09% (2021: 0.34%), nil (2021: nil) and 89% (2021: 98%), respectively.

As at 31 December 2022 and 31 December 2021, the contractual amount outstanding on advances to customers in margin financing that have been written off, but were still subject to enforcement activity was nil.

15. ACCOUNTS RECEIVABLE

	2022	2021
	HK$'000	*HK$'000*
Accounts receivable from:		
– securities, futures and options dealing services		
– clients	**344**	507
– brokers, dealers and clearing houses	**422**	367,788
– corporate finance and asset management	**18,993**	90,925
– direct investment and others	**654,444**	637,286
	674,203	1,096,506
Less: Allowance for expected credit losses	**(133,289)**	(276,419)
	540,914	820,087

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

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

An ageing analysis of the Group's accounts receivable, based on the trade date and net of allowance for expected credit losses, is as follows:

	2022	2021
	HK$'000	*HK$'000*
0–30 days	**534,982**	820,043
31–90 days	**–**	44
91–365 days	**–**	–
Over 365 days	**5,932**	–
	540,914	820,087

Movements of ECL

	2022	2021
	HK$'000	*HK$'000*
At beginning of year	**276,419**	91,164
Net provision for impairment	**365,008**	185,255
Amount written off during the year	**(508,138)**	–
At end of year	**133,289**	276,419

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

As at 31 December 2022, accounts receivable amounting to HK$18,993,000 (2021: HK$90,925,000) arose from corporate finance and asset management business which is under the scope of HKFRS 15 and accounts receivable amounting to HK$654,444,000 (2021: HK$637,286,000) arose from direct investment business. The Group performs impairment assessment under lifetime ECL on these balances individually for debtors. As at 31 December 2022, allowance amounting to HK$133,005,000 (2021: HK$276,141,000) was made accordingly.

The remaining allowance for expected credit losses of accounts receivable is the provision for individually impaired accounts receivable from securities clients of approximately HK$284,000 (2021: HK$278,000).

16. ACCOUNTS PAYABLE

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

	2022	2021
	HK$'000	*HK$'000*
Current to 1 month	**125,625**	224,432

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

As at 31 December 2022, accounts payable with a carrying amount of approximately HK$123,710,000 (2021: HK$224,115,000) are interest-bearing at bank savings deposit rates.

17. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend for the year. No dividend was paid to the shareholders of the Company for the years ended 31 December 2022 and 31 December 2021. The board has resolved not to declare the payment of any dividend for the years ended 31 December 2022 and 31 December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

For the Year, the Group recorded a revenue of approximately HK$276,630,000 (Last Year: approximately HK$486,592,000), net loss on financial assets at fair value through profit or loss of approximately HK$334,109,000 (Last Year: net loss of approximately HK$417,698,000), and net gain arising from disposal of financial assets at fair value through other comprehensive income of approximately HK$16,507,000 (Last Year: net gain of approximately HK$2,530,000) and net loss from disposal of financial assets at amortised cost of approximately HK$217,712,000 (Last Year: HK$0). Therefore, total revenue and gains or losses described above decreased to loss of approximately HK$258,684,000 as compared to gain of approximately HK$71,424,000 for Last Year. The Group recorded a loss for the Year of approximately HK$2,228,026,000 as compared to a loss of approximately HK$1,602,292,000 for Last Year. Loss attributable to Shareholders for the Year was approximately HK$2,500,007,000 as compared to that of approximately HK$1,823,044,000 for Last Year. The increase in net loss for the Year as compared to that of Last Year was mainly attributable to: (1) the decrease in interest income due to the reduced size of the Group's assets resulting from the Group's ongoing downsizing of risk assets; (2) the increased impairment provisions for investment in other loans and debt instruments, margin financing advances, finance lease receivables and trade receivables owing to ongoing declines in the values of assets or collaterals in certain of the Group's investment projects affected by multiple adverse factors including tightened global monetary policies, geopolitical developments and persistence of the COVID-19 pandemic; and (3) a loss recorded from the disposal of certain financial assets during the second half of the Year.

Basic loss per share was HK28.7 cents for the Year as compared to basic loss per share of HK20.9 cents for Last Year. No diluted loss/earnings per share has been presented for the Year and Last Year as there was no dilutive ordinary shares for the Year.

BUSINESS REVIEW

In 2022, external business conditions continued to be affected by the COVID-19 pandemic, while the Russian-Ukrainian war and rising inflation and interest rates dealt a heavy blow to global economy. There was also a slowdown in economic growth in Mainland China owing to the weakness in global economy and recurring pandemic outbreaks. Affected by factors such as tightened financial conditions, slowdown in global growth and geopolitical tensions, the Hong Kong capital market fluctuated and the Group faced ongoing challenges in its operations.

Asset Management and Direct Investment

The asset management and direct investment segment is engaged in the provision of asset management and fund management services and investment in equity, debt, funds, derivative instruments and other financial products with its own funds. During 2022, the COVID-19 pandemic had a profound impact on the society and economy as it persisted throughout almost the entire year in the form of recurring outbreaks of virus variants. Meanwhile, the ongoing Russian-Ukrainian conflict has also had a deep impact on the geopolitical and global market landscapes. During the Year, most central banks worldwide adopted a contractionary policy, as the capital market experienced drastic volatility. During the past year, the Group actively responded to market changes by enhancing control measures against market and credit risks and persisting in the development of its existing business with a risk -proof approach, while conducting asset management business with special focus on non-performing assets, especially distressed assets and relief for corporations, with a view to identifying anti-cyclical investment opportunities in the course of risk prevention.

The Group leveraged its build-up and strengths in the non-performing asset business to facilitate development of its asset management business, with key efforts in seizing market opportunities to cultivate overseas funds for investment in non-performing assets and special opportunities bond funds and provide asset management services to clients in connection with distressed assets. Meanwhile, more extensive services and products types were offered to the market in a further focus on non-performing assets, with a view to enhancing our fundraising ability and driving business transformation. Moreover, the Group also made active adjustments to lower the risk exposures and duration of its bond portfolios to effectively withstand the financial market risk brought about by the tightening policy adopted by central banks worldwide.

Segment revenue was approximately HK$225,155,000 for the Year, versus segment revenue of approximately HK$372,787,000 for Last Year. The net losses on financial assets at fair value through profits or loss decreased from approximately HK$417,698,000 for Last Year to approximately HK$334,109,000 for the Year. The segment result recorded a loss of approximately HK$1,702,167,000 due to provision for impairment made for certain investment projects, as compared to loss of approximately HK$1,276,665,000 for Last Year.

Securities

Securities business segment includes the provision of brokerage and custodian services, margin financing, structured financing and investment advisory services. In 2022, the Group adhered to the baseline of compliant operation, focused on its principal licensed business and expedited business transformation to constantly reduce cost and enhance efficiency, facing a complicated economic environment and lacklustre market sentiments. In connection with its custodian business, the Group has enhanced business synergy and facilitated disposal of stock-related 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 to secure normal repayments of the principal and interest due for existing projects.

For the Year, the revenue from the securities segment was approximately HK$15,373,000 as compared to approximately HK$36,776,000 for Last Year. The movement in revenue comprised a decrease in revenue from handling fees and custodian fees relating to margin financing for IPO subscription mainly owing to the low volume of IPO issuance and low trading activity due to market factors such as the COVID-19 pandemic in Hong Kong and the timing of listing during the Year, which made it difficult for the Group to increase the revenue of the securities business through such businesses. The decline in commission from relevant businesses was also attributable to the Group's move to close the business department in Sheung Wan, Hong Kong and discontinue the futures and options business during the Year for the purpose of cost reduction and efficiency enhancement. However, the Group enhanced project risk management in respect of existing projects and effectively reduced risk exposure and enhanced asset quality.

The segment result of the securities business for the Year amounted to loss of approximately HK$39,700,000 as compared to loss of approximately HK$44,093,000 for Last Year.

Corporate Finance

During 2022, given the impact of the default and credit issues of Chinese property developers, the COVID-19 pandemic, the Russian-Ukrainian situation and the substantial rate hikes by the United States Federal Reserve Board, the stock and bond markets in Hong Kong were subject to notable volatility with substantial declines in the Hong Kong IPO market in terms of the total amount and volume of new issues, while the amount and volume of offshore US dollar bond issues also decreased. In the face of austere global economic and market conditions, the Group increased its market development efforts to replenish the stock-up of project resources, in a bid to develop a positive business cycle. In connection with bond issue, we successfully completed two offshore USD bond offering projects in the crucial role of global coordinator. In connection with corporate finance, we took part in two IPO underwriting and offering projects as a joint bookrunner and joint lead manager.

For the Year, revenue from the corporate finance segment amounted to approximately HK$502,000 as compared to revenue of approximately HK$4,387,000 for Last Year. The segment result for the Year was loss of approximately HK$8,925,000 as compared to loss of approximately HK$8,408,000 for Last Year.

Financial Services and Others

Financial services and others includes provision of finance lease services and other related services in Mainland of China. It is focusing on providing services to the basic industries which conform to the PRC's industrial policy and economic development trend, by way of introducing financial leasing to those industries, including the logistics, automobile, aviation, solar energy and wind power generation and liquified natural gas sectors, with a view to obtaining rental income.

During the Year, the segment revenue was approximately HK$35,600,000 (Last Year: HK$72,642,000). The segment loss increased to approximately HK$419,907,000 (Last Year: segment loss of approximately HK$83,276,000) owing to the increase in impairment provision for finance lease projects for the Year.

PROSPECTS

In 2023, the negative impact on the global economy of significantly tightened monetary policies of major central banks to curb inflation is expected to further surface, while the risk of a worldwide economic downturn might also be aggravated by trade and geopolitical tensions. Nevertheless, as Hong Kong and Mainland China had gradually lift their anti-epidemic restrictions since late 2022 and officially reopened their borders in early 2023, economic activities have regained momentum and Hong Kong's interaction with Mainland China and the international community has swiftly returned to normal, resulting in improvements in the overall economic sentiments. As such, we expect a rebound and recovery for the economies of Hong Kong and Mainland China in 2023.

The Group will closely monitor global developments and overcome any hurdles in united collective efforts. In connection with the asset management business, as we started to see the effect of economic stabilisation policies launched in China, there were initial signs of recovery with better investment opportunities emerging in the asset management sector, although uncertainties still existed. The Group will continue to be deeply engaged in China Huarong's principal business on "major non-performing assets" on the back of its experience and strengths afforded by business synergy in its own financial licenses and non-performing asset businesses, further expanding and promoting new offshore non-performing asset investment funds, custodian management of distressed assets and high-yield bond fund products to enhance its product variety, reinforce its customer base and bolster its fundraising ability, with a view to genuinely expanding the scale of its asset management and increasing management fee income. In future, the Group will be vigorously engaged in fundraising exercises and seize market opportunities to develop anti-cyclical fund-based products and asset management services with strong efforts. In connection with the securities business, the Group will further optimise the organisational structure of the securities house to enhance its operational efficiency and continuously improve its operational compliance in genuine prevention and control of compliance and operational risks. A special emphasis will be placed on the institutional business and the intermediary business to increase revenue contributions from the institutional business. We will also enhance business synergy by fostering close cooperation with the corporate finance business to provide customers with one-stop financial services. Meanwhile, the customer marketing channel will be further broadened by developing the connections with private banks and family business offices in Hong Kong. In connection with corporate finance, the Group will resolutely implement its business development strategy and continue to be deeply engaged in the Hong Kong market while seeking ongoing improvements in its professional competence. We will focus on designated industries and segments to forge advantages in selected areas and pursue dislocation competition, in an active bid to undertake different projects based on the investment bank business positioning of being "petite, selective and unique". Meanwhile, the corporate finance business will fully leverage the strengths of the Huarong brand, and dynamically increasing its project types on the back of its advantage as a capital investment bank, developing financial advisory businesses relating to debt restructuring to enlarge its project stock-up in implementation of the strategy of differentiated development for the investment banking business.

The Group will focus on the principal business of "major non-performing assets" and procure business transformation on the back of synergies afforded by its licensed business. We will also leverage the advantage of Hong Kong as an international financial centre and the synergy afforded by the Guangdong – Hong Kong – Macau Greater Bay Area to enhance professional financial services relating to investment opportunities in cross-border non-performing companies, in order to seek prudent progress, achieve cost reduction and efficiency enhancement in an effort to add value for Shareholders.

FINANCIAL REVIEW

Capital Structure

As at 31 December 2022, the total number of issued shares of the Company (with par value of HK$0.001 each) was 8,709,586,011, total shareholders' equity was approximately HK$-732,882,000 (31 December 2021: approximately HK$-495,994,000).

Liquidity and Financial Resources

The Group reviews its liquidity position regularly and manages liquidity and financial resources actively according to the changes in economic environment and business development needs. As at 31 December 2022, the Group had total cash and deposits with banks amounting to approximately HK$1,986,641,000 as compared to approximately HK$1,852,784,000 as at 31 December 2021, excluding client funds that were kept in separate designated bank accounts of approximately HK$124,535,000 (31 December 2021: approximately HK$215,590,000) and deposits in other financial institutions of approximately HK$13,527,000 (31 December 2021: approximately HK$14,457,000). As at 31 December 2022, 51% (31 December 2021: 56%) of the Group's cash and deposits with banks was denominated in HKD or RMB. The Group's gearing ratio as at 31 December 2022 was -801.42% as compared to -1,696.33% as at 31 December 2021, being calculated as borrowings over the Group's shareholders' equity. The change in gearing was attributable to a decrease in the Group's shareholders' equity in the Period.

The Group has been committed to expanding the financing channel and maintaining an appropriate allocation of repayment schedules and overall fund application to maintain a robust financial position. In order to strengthen the Group's equity basis and financial position, the Group entered into two subscription agreements with CHIH on 29 August 2022, pursuant to which CHIH subscribed for the 6.86% unsubordinated perpetual capital securities in the principal amounts of US$275,000,000 and US$215,000,000 issued by the Group, at the issue price of 100% of the principal amounts issued, of which US$275,000,000 and US$215,000,000 were received by the Group in respect the issuance. As at 31 December

2022, the Group obtained shareholder loans and perpetual capital securities from CHIH in an aggregate principal amount of approximately US$1,069,233,000 (equivalent to approximately HK$8,346,884,000) (31 December 2021: approximately US$958,079,000 (equivalent to approximately HK$7,455,880,000)) to support the business of the Group. Such loans were subject to interest at fixed annual interest rates ranging from 4.3% to 7.98% (31 December 2021: annual rates ranging from 4.3% to 7.98%) and were repayable within two to seven years from the end of the Year (31 December 2021: in five months to eight years).

As at 31 December 2022, the Group had loans denominated in USD of US$260,940,000 (equivalent to approximately HK$2,034,482,000) from Right Select International Limited, a wholly-owned subsidiary CHIH and a shareholder of the Company directly holding 29.98% share interests in the Company (31 December 2021: US$260,940,000 (equivalent to approximately HK$2,034,825,000)). The Group also had a RMB loan of RMB50,000,000 (equivalent to approximately HK$55,974,000) from a fellow subsidiary (31 December 2021: RMB loan of RMB50,000,000 (equivalent to approximately HK$61,155,000)).

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

As at 31 December 2022, the Group had undrawn bank credit facilities of approximately HK$881,870,000 (31 December 2021: approximately HK$1,332,923,000), providing the Group with additional liquidity as and when required.

As at 31 December 2022, the Group was unable to comply with a financial covenant for a banking facility with loan amount of HK$624 million. In August 2022, the Group had obtained a waiver from the bank, which continues to provide normal banking facilities to the Group and has not requested early repayment of borrowings. As such, the Company does not expect any material adverse impact of the aforesaid events on the Group's financial performance and operations.

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

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

Charges on Group Assets

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

Foreign Exchange Exposures

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

Contingent Liabilities

The Group had no significant contingent liabilities as at 31 December 2022 and 2021.

Significant Securities Investment

As at 31 December 2022, the Group held the following significant securities investments:

(1) 1,836,000 ordinary shares (31 December 2021: 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 Cayman Islands incorporated company listed on the Main Board of the Stock Exchange (stock code: 279) principally engaged in financial businesses. The shares held by the Group represents 0.01% (31 December 2021: 0.01%) of the equity interests in Freeman. The respective fair values of the shares and convertible bond as at 31 December 2022 were HK$209,000 and HK$389,406,000, which aggregated to approximately 6.8% (31 December 2021: 4%) of the total assets of the Group. Therefore, the Group would like to supplement the above investments as a significant investment held by the Group for the Period. During the Period, the Group's unrealised fair value loss on the shares of Freeman was HK$220,000, the value of the investment into the secured convertible bond remained unchanged compared with last year.

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

(2) 52,947.8 Class A participating shares and 15,108.1 Class B participating shares of China Special Opportunities Fund SP1 (the "**Fund**"), at a cost of HK$530,615,000. The Fund's principle business comprises its investment in debt securities issued by companies and governments around the world. As at 31 December 2022, the net asset value of the Fund was US$36,949,531.79. The fair value of the investment as at 31 December 2022 was HK$293,095,000, representing approximately 5.11% of the total asset value of the Group (31 December 2021: 3.87%).The above investment therefore constituted a significant investment held by the Group during the Year. Therefore, the fair value of the Fund for the Year decreased by approximately HK$63,660,000 from HK$356,691,000 at the end of Last Year, which was mainly due to the decline in the value of the public offering bonds held by the Fund. There were no distributions from the Fund during the Year.

The Group is procuring the fund manager of the Fund to complete the exit and distributions of the underlying assets of the Fund.

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 items into stage one (no significant increase in credit risk since initial recognition), stage two (significant increase in credit risk) or stage three (credit-impaired) based on the impact of credit risk on the items held.

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

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

The Group recorded net impairment loss of approximately HK$1,220 million for 2022, which was mainly attributable to the following:

- a margin financing project entered into by the Group in its ordinary course of business in 2016, and afterwards such advances in margin financing was converted into other loans and debt instruments through a deed of assignment on 29 June 2020. The collateral under the project consists of shares of a listed company in Hong Kong. The market price of such shares at the end of the Year continued to decline compared to the end of 2021 owing to external political and economic factors as well as the listed company's internal operational and debt issues in 2022. The Group calculated the recoverable amount of the loan according to the market prices of the pledged shares, resulting in a further provision for impairment of approximately HK$164 million in respect of such project for the Year.

- two fixed income projects entered into by the Group in 2016 and 2017 for investment purposes, the debtor of which is a company formerly listed in Hong Kong and the projects were mainly guaranteed by the de facto controller of the debtor. The debtor was ordered to be liquidated by the High Court of Hong Kong and was delisted in February 2021, while its de facto controller was also declared bankrupt. Currently, the liquidation of the debtor is proceeding slowly due to the pandemic. According to information obtained by the Group from the liquidator, the debtor does not have sufficient residual assets and proceeds from asset liquidation might not be sufficient to pay the liquidation expenses. Taking into account the progress of liquidation, the management provided full impairment provision in respect of the two projects in 2022 and made further provision for impairment of approximately HK$94 million in total for the Year.

- the Group holds shares with put options in a company listed in Australia. It was agreed that the controlling shareholder of the listed company shall repurchase the shares held by the Group at a fixed annual rate of return within a certain period, and the de facto controller provided guarantee in respect of the repurchasing obligation of the controlling shareholder. The Group exercised the put options upon expiry in November 2021. The controlling shareholder of the company listed in Australia afterwards further provided guarantee in respect of its repurchasing obligation by pledging the shares of such company. As trading in such listed company's shares has been suspended since August 2022, considering the listed company's fundamentals and the low liquidity of its shares since listing, the management made a prudent judgment in applying a heavy discount when calculating the realized value of the pledged shares in case of disposal, which recorded an impairment provision for the project of approximately HK$55 million during the year.

- 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 has been 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 impairment provision for all interest accrued out of prudence. The provision for impairment made during the year amounted to approximately HK$51 million.

- a margin financing project entered into by the Group in 2015 in its ordinary course of business, of which the advances to a customer in margin financing was afterwards converted into other loans and debt instruments through a deed of assignment on 29 June 2020. The collaterals under the project mainly consist of shares of a listed company in Hong Kong and rights of leasing land in Saipan, and trading in such company's shares has been suspended in April 2022. The management expected low chances to recover interest receivables for the project, and made impairment provision for all interest accrued out of prudence. The provision for impairment made during the year amounted to approximately HK$34 million.

- two finance leasing projects entered into by the Group in 2017 in its ordinary course of business, the debtors of which are two companies principally engaged in wind power generation and solar energy power generation, respectively. As the companies are operating on tight cash flows and are affected by the change of local subsidy policies, the companies had been unable to operate power generation in a normal manner for a period, and the guarantor and de facto controller had been included in the list of domestic discredited parties in China and are considered not to have the ability to make repayments. Given that the two projects would mainly rely on the liquidation of leased assets to source their repayments in future, and it would be difficult to dispose of the leased wind power and solar energy power generation equipment for cash, after taking into account the prevailing market conditions, the Group applied a further reduction adjustment on the value of these projects, resulting in a further provision for impairment of approximately HK$85 million in total for the Year in respect of these two projects.

- a finance lease project entered into by the Group in 2017 in its ordinary course of business, the debtor of which is a company engaged in air cargo freight business which underwent a debt crisis in 2019 and is currently in the process of bankruptcy and reorganisation. The primary collaterals of the project comprise two cargo planes which have been grounded since September 2019. According to the valuation of the two cargo freights by external valuer in 2022, it represented a significant depreciation against the valuation at the end of 2021 due to the change in valuation basis. Based on the latest external valuation, a further provision for impairment of approximately HK$142 million was made in respect of the project for the Year.

- a finance lease project entered into by the Group in 2017 in its ordinary course of business, the debtor of which is a manufacturing company engaged in the production of wires and cables, and the primary collaterals of the project comprise wire and cable production equipment and 30% equity interest in the lessee company. In view of the information obtained by the Group's visiting team, the production equipment is relatively obsolescent, some of which have been basically scrapped with low residual value. Moreover, the lessee company is confronted with cash flow shortage and multiple litigations. Therefore, taking into consideration the aforementioned adverse factors and the prudent judgment of the management, a large proportion of the disposal realisation discount was made on the basis of the valuation at the end of 2022, resulting in a provision for impairment of approximately HK$87 million in respect of the project for the Year.

- a project held by the Group previously recorded as financial assets at fair value through profit or loss, which was reclassified as accounts receivable following the non-receipt of any payment against default put option price by the grantor or guarantor after the Group's issuance of a default notice and the exercise of the put option on 3 December 2021. The receivables are secured by shares of a Hong Kong-listed company and pledged by the land use right of a land site in China as collaterals. Trading in the shares of the said listed company has been suspended since April 2022 due to the delay in the publication of its 2021 results announcement, caused by the uncertainty in its debts and investments valuation. Taking into consideration the recoverable amount of the collaterals, the Group provided a substantial amount of impairment provision in respect of the project and made provision for impairment of approximately HK$323 million for the Year.

- a bond held by the Group under stage 3 recorded as financial assets at fair value through other comprehensive income, which was issued by an air transport company. Based on the debt restructuring plan of that company, the Group's management entered into a restructuring agreement with the restructuring party and received a certain percentage of the margin at the end of 2022. Taking into consideration such recoverable amount, the provision for impairment of approximately HK$65 million was made in respect of the bond for the Year.

- two real estate sector bonds, classified as the Group's financial assets at fair value through other comprehensive income, were subject to default in the first half of the Year due to the ongoing deterioration of the industry and market environments and were classified as stage three assets. Based on prudent consideration, including the credit status of the issuers of the two bonds, the management provided for impairment based on the market value of the bonds as at the end of the Year and total impairment provision of approximately HK$46 million was made in respect of the two bonds for the Year.

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

II. Provision for Impairment of publicly issued bonds

The Group invests in public offer bonds from time to time 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. Risk management department of the Company verifies and assesses the information obtained by frontline business teams during its risk management process, and determine the stages 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 an impairment provision of HK$142 million for its financial assets at fair value through other comprehensive income for the Year. The investment cost of the main bond products involved is HK$685 million, with the remaining maturity mainly ranging from one to five years, and the coupon rate ranging from 3% to 16% per annum. For details of the major impairment provision for the Year for publicly issued bonds, please refer to the sub-section headed "I. Overall provision for impairment" above.

III. Finance lease business and provision for impairment

Impairment of 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 of HRIV by the Company in November 2020 (the "**Privatization**").

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 a sale-and-purchase agreement with Zhongju Financial Leasing regarding property(ies) for lease to sell such property(ies). Zhongju Financial pays the consideration to acquire the ownership of such property(ies) and then enters into a sale-and-leaseback agreement with and lease the property(ies) back to the lessee, whereby the lessee pays rental installments to Zhongju Financial Leasing according to the payment schedule.

As at 31 December 2022, Zhongju Financial Leasing held ten outstanding finance lease projects which were initially invested back in 2017. The total carrying amount of these ten projects as at the same date was approximately HK$376.57 million, with approximately 92.16% of which was attributable to the top five projects. These ten projects accounted for approximately 6.57% of the Group's total assets, and none of these projects accounted for more than 5% of the Group's total assets as at the same date.

These projects are entered with various counterparties who operate in car leasing, standalone new energy power station, liquefied natural gas production, storage and logistics, cargo aircraft leasing, etc. Finance lease business is conducted in the mainland China, including Guangdong Province, Shaanxi Province, Gansu Province, Tibet Autonomous Region, etc.

Based on the Group's current business development strategy and positioning, the key focus of the Group's finance lease business will be focusing on the recovery of the outstanding finance lease 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 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 with electrical cable production equipment, solar or wind power generation equipment, transport vehicles, natural gas processing equipment, passenger vehicles and cargo aircrafts, as well as equity interests in companies and real estates.

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 2022, the Company performed analysis and forecast on the realisable values of the leased assets and the pledged collaterals for each finance lease project. Please refer to the sub-section headed "I. Overall provision for impairment" above for details of the impairment provision for finance lease projects.

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 conduct ongoing assessment and analysis of risks associated with them. The Group will also appointed external specialist(s) 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 in a short period of time 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 on stage 3, the Company has taken actions to collect payments and will endeavour to eliminate the risk 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 Company's 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.

Significant Events during the Year

(1) In September 2022, Zhongju (Shenzhen) Financial Leasing the "**Lessor**") entered into a conditional Settlement Agreement with Yanan Xinwoda LNG Co., Ltd. (the "**Lessee**"), certain security providers (as defined under the Settlement Agreement) and certain additional security providers (as defined under the Settlement Agreement), pursuant to which the Lessee will make repayment of the a total settlement sum of approximately RMB323,682,653 according to the repayment schedule (as defined under the Settlement Agreement), including the outstanding sum of approximately RMB304,627,600 together with interests accrued on the outstanding principal amount after the reference date prescribed under the Settlement Agreement at the interest rate of 7.85% per annum amounting to approximately RMB17,679,406 and other fees of approximately RMB1,375,647. The entering into of the Settlement Agreement is due to default by the Lessee since March 2021 and to reflect results of negotiation between the parties to restructure the outstanding indebtedness under the Credit Framework Agreement dated 17 August 2017 between the Lessor, the Lessee and the security providers. The Company has obtained a written shareholders' approval from Camellia Pacific Investment Holding Limited (directly holding 21.01% equity interests in the Company) and Right Select International Limited (directly holding 29.98% equity interests in the Company) approving the Settlement Agreement and the transactions contemplated thereunder in lieu of the convening of a general meeting of the Company. For details, please refer to the circular of the Company dated 18 November 2022. As at the date of this annual report, the Lessee had conducted payments in accordance with the repayment schedule stipulated under the Settlement Agreement.

(2) In connection with one of the significant event for the year disclosed in the 2021 annual report of the Group, on 3 December 2021, Beyond Steady Limited (a wholly-owned subsidiary of the Company, the "**Grantee**") exercised the Put Option (the "**Put Option**") by serving a Default Notice to Joywise Holdings Limited (the "**Grantor**") and Yi Xiaodi (the "**Guarantor**") to demand to the Grantor to purchase 235,055,000 Sunshine 100 shares at the Default Put Option Price of HK$955,267,062 (the "**Default Put Option Price**"). As at the date of this announcement, the Grantee has yet to receive any payment of the Default Put Option Price from the Grantor or the Guarantor. On 8 December 2022 (after the close of trading hours), the Company entered into the Offshore Asset Transfer Agreement with Great Sharp International, pursuant to which the Company has conditionally agreed to sell, and Great Sharp International has conditionally agreed to purchase, the Offshore Disposal Assets, including the entire issued share capital of Beyond Steady Limited held by the Group. As a result, the aforesaid shares in Sunshine 100 and the total outstanding sum of approximately RMB902,713,000 (approximately HK$1,055,570,100) owed by the debtor concerned as at 30 June 2022 as a result of the exercise of the Put Option, together with certain rights to guarantees, securities and pledges relating to such Put Option, had been transferred alongside the entire issued share capital of Beyond Steady Limited.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2022, the Group employed a total of 43 employees (31 December 2021: 65 employees). The Group's recruitment and promotion of staff is based on consideration of multiple factors, such as job nature, market rates, relevant experience, 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.

ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on 15 June 2023 (the "**AGM**"). A notice convening the AGM will be published in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 12 June 2023 to Thursday, 15 June 2023, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the forthcoming AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 9 June 2023.

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

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

CORPORATE GOVERNANCE PRACTICES

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

Details of the Company's corporate governance practices during the Year will be included in the Corporate Governance Report set out in the Company's annual report 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

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

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this preliminary announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this preliminary announcement.

EVENTS AFTER THE END OF THE REPORTING PERIOD

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

PUBLICATION OF ANNUAL REPORT

The 2022 annual report of the Company containing all the applicable information required by the Listing Rules will be despatched to the shareholders of the Company and published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.hrif.com.hk) in due course by end of April 2023.

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

Hong Kong, 29 March 2023

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