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

(Incorporated in Bermuda with limited liability)

(Stock Code: 993)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board (the "**Board**") of directors (the "**Directors**") of Huarong International Financial Holdings Limited (the "**Company**") hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2023 together with the comparative figures for the six months ended 30 June 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

		For the six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE			
Commission and fee income	5	**6,119**	4,203
Interest income	5		
Interest income calculated using the effective interest method		**44,275**	76,590
Others		**14,042**	34,961
Investment income	5	**–**	20,135
		64,436	135,889
Net loss on financial assets at fair value through profit or loss		**(180,695)**	(291,476)
Net loss arising from disposal of financial assets at fair value through other comprehensive income		**–**	(19,337)
Other income and gains or losses, net		**32,407**	(47,802)
Brokerage and commission expenses		**–**	(1,345)
Administrative and other operating expenses		**(77,989)**	(127,169)
Impairment losses, net		**(132,951)**	(819,437)
Finance costs	6	**(162,847)**	(196,335)
LOSS BEFORE TAX	7	**(457,639)**	(1,367,012)
Income tax (expense)/credit	8	**(722)**	20,439
LOSS FOR THE PERIOD		**(458,361)**	(1,346,573)
Attributable to:			
Equity holders of the Company		**(658,804)**	(1,457,379)
Holder of perpetual capital securities		**200,443**	79,218
Non-controlling interests		**–**	31,588
		(458,361)	(1,346,573)
BASIC LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9	**(HK7.6 cents)**	(HK16.7 cents)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
LOSS FOR THE PERIOD	**(458,361)**	(1,346,573)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Fair value loss on financial assets at fair value through other comprehensive income	**(20,180)**	(91,968)
Net provision for impairment of financial assets at fair value through other comprehensive income included in profit or loss	**30,153**	45,458
Reclassification adjustments relating to disposal of financial assets at fair value through other comprehensive income during the period	**–**	19,337
Exchange differences on translation of foreign operations, net	**20,807**	15,364
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**30,780**	(11,809)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**(427,581)**	(1,358,382)
Attributable to:		
Equity holders of the Company	**(628,024)**	(1,469,188)
Holder of perpetual capital securities	**200,443**	79,218
Non-controlling interests	**–**	31,588
	(427,581)	(1,358,382)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	**30 June 2023 (Unaudited)** ***HK$'000***	31 December 2022 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**4,386**	4,449
Other long term assets		**1,043**	1,043
Intangible assets		**2,350**	2,350
Right-of-use assets		**4,907**	29,743
Prepayments, deposits and other receivables		**44**	44
Financial assets at fair value through profit or loss	10	**1,066,759**	751,005
Financial assets at fair value through other comprehensive income	11	**79,448**	158,251
Other loans and debt instruments	13	**213,060**	255,821
Total non-current assets		**1,371,997**	1,202,706
CURRENT ASSETS			
Advances to customers in margin financing	14	**24,373**	43,055
Accounts receivable	15	**196,797**	540,914
Prepayments, deposits and other receivables		**140,680**	149,364
Financial assets at fair value through profit or loss	10	**288,752**	993,443
Financial assets at fair value through other comprehensive income	11	**96,587**	47,164
Finance lease receivables	12	**97,808**	376,565
Other loans and debt instruments	13	**237,874**	237,874
Amounts due from related parties		**30,782**	16,005
Tax recoverable		**161**	161
Restricted bank balances		**112,249**	124,535
Deposits in other financial institutions		**14,487**	13,527
Cash and deposits with banks		**2,491,087**	1,986,641
Total current assets		**3,731,637**	4,529,248

	Notes	**30 June 2023 (Unaudited) *HK$'000***	31 December 2022 (Audited) *HK$'000*
CURRENT LIABILITIES			
Accounts payable	16	**113,391**	125,625
Other liabilities, payables and accruals		**192,563**	199,758
Interest-bearing borrowings		**2,854,655**	1,599,000
Repurchase agreements		**65,684**	107,331
Tax payable		**74,790**	63,444
Lease liabilities		**974**	28,907
Amounts due to related parties		**73,648**	62,322
Total current liabilities		**3,375,705**	2,186,387
NET CURRENT ASSETS		**355,932**	2,342,861
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,727,929**	3,545,567
NON-CURRENT LIABILITIES			
Other liabilities, payables and accruals		**3,504**	3,504
Interest-bearing borrowings		**3,038,963**	4,274,440
Lease liabilities		**222**	505
Total non-current liabilities		**3,042,689**	4,278,449
NET LIABILITIES		**(1,314,760)**	(732,882)
EQUITY			
Share capital		**8,710**	8,710
Share premium and reserves		**(7,612,100)**	(6,984,076)
Equity attributable to owners of the Company		**(7,603,390)**	(6,975,366)
Perpetual capital securities classified as equity instruments		**6,288,630**	6,242,484
Non-controlling interests		**–**	–
Total equity		**(1,314,760)**	(732,882)

Notes:

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The principal activity of the Company is investment holding. The Group is principally engaged in the brokerage and dealing of securities, margin financing, loan financing, financial advisory, direct investments, investment holding, provision of advising on corporate finance services and provision of management and consultancy services. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of operations of the Company is 15th floor, China Huarong Tower, 60 Gloucester Road, Wanchai, Hong Kong. The intermediate controlling shareholder of the Company is China 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 CITIC Group Corporation, Ministry of Finance (the "**MOF**"), China Insurance Rongxin Private Fund Co., Ltd., China Life Insurance (Group) Company, Warburg Pincus and Sino-Ocean Group Holding Limited.

This unaudited interim financial information was approved by the board of directors for issue on 29 August 2023.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

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

Going concern basis

As at 30 June 2023, the Group had net liabilities of HK$1,315 million (31 December 2022: net liabilities of HK$733 million) and incurred a loss of HK$458 million (30 June 2022: net loss of HK$1,347 million) for the six months period ended.

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

(i) Continuous securing of certain bank borrowings

The Group communicated and confirmed with various banks on the bank borrowings. Pursuant to the agreements with the banks, the next review dates of bank borrowings of HK$775 million, HK$624 million and HK$200 million will be September 2023, August 2024 and September 2023, respectively.

(ii) Utilisation of banking facilities

As at 30 June 2023, the Group has total bank credit facilities of approximately HK$2,482,491,000 (31 December 2022: approximately HK$2,480,870,000), of which HK$1,599,000,000 (31 December 2022: approximately 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 30 June 2023, 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 (31 December 2022: HK$10.5 billion). Depending on the need for working capital, the Group may need to obtain the loans at different times and amounts. During the six months ended 30 June 2023, the Group has no extension from CHIH on intercompany borrowings as of 30 June 2023. There are HK$1,201 million of intercompany borrowings to be due within the next twelve months from 30 June 2023.

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

In respect of public traded bonds and the listed equity securities in Hong Kong held by the Group, which are classified either as financial assets at fair value through profit or loss or as financial assets at fair value through other comprehensive income in the condensed consolidated statement of financial position as at 30 June 2023, 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".

Asset management:

(1) Implement the fund investment-focused strategy.

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

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

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

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

Corporate Finance:

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

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

(3) Undertake projects such as mergers and acquisitions, 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 30 June 2023. They are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2023. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

3. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information.

Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

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

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but does not expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases and decommissioning obligations as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases and decommissioning obligations that occurred on or after 1 January 2022, if any. These amendments have no impact on the Group's interim financial statements as there were no transactions fallen within the scope of these amendments on or after the beginning of the earliest period presented.

(d) Amendments to HKAS 12 International Tax Reform – Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to 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 Company has determined the members of the Executive Committee as its chief operating decision maker.

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

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

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

(c) the asset management and direct investment segment comprises provision of asset management services and direct investments in equities, bonds, funds, derivative instruments and other financial products.

(d) the financial services and others segment comprises finance lease services, business consulting services, financing services and other related services.

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

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

(a) Operating segments

The following tables represent the revenue and results for the six months ended 30 June 2023 and 2022 for the Group's operating segments:

Six months ended 30 June 2023 (Unaudited)

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

Six months ended 30 June 2022 (Unaudited)

	Securities *HK$'000*	Corporate finance *HK$'000*	Asset management and direct investment *HK$'000*	Financial services and others *HK$'000*	Total *HK$'000*
Segment revenue					
Commission and fee income	3,394	–	809	–	4,203
Interest income	2,166	–	84,198	25,187	111,551
Investment income	–	–	20,135	–	20,135
	5,560	–	105,142	25,187	135,889
Net loss on financial assets at fair value through profit or loss	–	–	(291,476)	–	(291,476)
Net loss arising from disposal of financial assets at fair value through other comprehensive income	–	–	(19,337)	–	(19,337)
Other income and gains or losses, net	(3,316)	212	22,070	(66,269)	(47,303)
	2,244	212	(183,601)	(41,082)	(222,227)
Segment results	(29,132)	207	(1,066,473)	(262,416)	(1,357,814)
Unallocated other income and gains or losses, expenses, net					(9,198)
Loss before tax					(1,367,012)
Income tax credit					20,439
Loss for the period					(1,346,573)

The following tables present the assets and liabilities for the Group's operating segments as at 30 June 2023 and 31 December 2022.

	30 June 2023 (Unaudited) *HK$'000*	31 December 2022 (Audited) *HK$'000*
Assets		
Securities	**1,209,199**	1,266,161
Corporate finance	**16,086**	22,578
Asset management and direct investment	**1,566,977**	1,981,265
Financial services and others	**626,453**	585,081
Total segment assets	**3,418,715**	3,855,085
Other unallocated assets	**1,684,919**	1,876,869
Total assets	**5,103,634**	5,731,954
Liabilities		
Securities	**129,183**	177,966
Corporate finance	**–**	100
Asset management and direct investment	**280,020**	71,253
Financial services and others	**478,012**	302,479
Total segment liabilities	**887,215**	551,798
Other unallocated liabilities	**5,531,179**	5,913,038
Total liabilities	**6,418,394**	6,464,836

Other segment information for the six months ended 30 June 2023 (Unaudited)

	Securities *HK$'000*	**Corporate finance** *HK$'000*	**Asset management and direct investment** *HK$'000*	**Financial services and others** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Finance costs	**–**	**–**	**(116,238)**	**–**	**(46,609)**	**(162,847)**
Net provision for impairment of other loans and debt instruments	**–**	**–**	**(59,591)**	**–**	**–**	**(59,591)**
Net provision for impairment of advances to customers in margin financing	**(9,929)**	**–**	**–**	**–**	**–**	**(9,929)**
Net provision for impairment of finance lease receivables	**–**	**–**	**–**	**(33,278)**	**–**	**(33,278)**
Net provision for impairment of financial assets at fair value through other comprehensive income	**–**	**–**	**(30,153)**	**–**	**–**	**(30,153)**

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

	Securities *HK$'000*	Corporate finance *HK$'000*	Asset management and direct investment *HK$'000*	Financial services and others *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Finance costs	–	–	(166,510)	(28,123)	(1,702)	(196,335)
Net provision for impairment of other loans and debt instruments	–	–	(240,125)	–	–	(240,125)
Net provision for impairment of accounts receivable and others	–	–	(331,941)	–	–	(331,941)
Net provision for impairment of advances to customers in margin financing	(7,633)	–	–	–	–	(7,633)
Net provision for impairment of finance lease receivables	–	–	–	(194,280)	–	(194,280)
Net provision for impairment of financial assets at fair value through other comprehensive income	–	–	(45,458)	–	–	(45,458)

(b) Geographical information

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

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

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

	Revenue from external customers For the six months ended 30 June		Non-current assets	
	2023	2022	**30 June 2023**	31 December 2022
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**63,006**	109,774	**11,638**	36,537
Mainand China	**1,430**	26,115	**5**	5
	64,436	135,889	**11,643**	36,542

Note: Non-current assets excluded financial assets.

(c) Information about major customers

During the six months period ended 30 June 2023, one external customer contributed more than 10% of total revenue of the Group (2022: 10%):

	30 June 2023	30 June 2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Customer A from asset management and direct investment	**–**	18,666
Customer B from asset management and direct investment	**29,734**	9,458

5. REVENUE

The Group's revenue is disaggregated as follows:

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Commission and fee income *(note (i))*:		
Fee and commission income on securities dealing and brokerage	**736**	3,323
Consultancy and financing advisory fee income	**4,307**	8
Management fee income	**1,014**	809
Other service income	**62**	63
	6,119	4,203
Revenue from other sources		
Interest income:		
Interest income calculated using the effective interest method		
Interest income from other loans and debt instruments	**40,830**	49,237
Interest income from finance lease receivables	**1,430**	25,187
Interest income from margin financing activities	**2,015**	2,166
	44,275	76,590
Interest income – others:		
Interest income from financial assets at fair value through profit or loss	**7,337**	27,137
Interest income from financial assets at fair value through other comprehensive income	**6,705**	7,824
	14,042	34,961
Total interest income	**58,317**	111,551
Investment income:		
Dividend income	**–**	20,135
Total revenue	**64,436**	135,889

Note:

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

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Services transferred at a point in time	**5,105**	3,394
Services transferred over time	**1,014**	809
Total revenue from contracts with customers	**6,119**	4,203

6. FINANCE COSTS

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank borrowings	**46,609**	21,714
Interest on repurchase agreements and other activities	**1,963**	5,922
Interest on a loan from a fellow subsidiary	**1,288**	1,437
Interest on loans from an immediate holding company	**50,386**	50,298
Interest on loans from an intermediate holding company	**62,217**	115,262
Interest on lease liabilities	**384**	1,702
	162,847	196,335

7. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**937**	6,289
Depreciation of right-of-use assets	**24,758**	25,396
Auditor's remuneration – interim review	**1,380**	1,763
Legal and professional fee	**2,054**	14,780
Employee benefit expenses (including directors' remuneration)	**13,829**	31,672
Net provision for impairment of other loans and debt instruments	**59,591**	240,125
Net provision for impairment of accounts receivable and others	**–**	331,941
Net provision for impairment of advances to customers in margin financing	**9,929**	7,633
Net provision for impairment of finance lease receivables	**33,278**	194,280
Net provision for impairment of financial assets at fair value through other comprehensive income	**30,153**	45,458

8. INCOME TAX

During the six months ended 30 June 2023 and 30 June 2022, no provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the period (2022: 25%).

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax:		
Mainland	**722**	–
Over provision in prior years:		
Hong Kong	**–**	(20,439)
Total tax charge/(credit) for the period	**722**	(20,439)

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

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

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss		
Loss for the period attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	**(658,804)**	(1,457,379)

	Number of shares	
	2023	2022
	(Unaudited)	(Unaudited)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	**8,709,586**	8,709,586

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

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2023 (Unaudited) *HK$'000*	31 December 2022 (Audited) *HK$'000*
Financial assets at fair value through profit or loss ("FVTPL")		
Non-current:		
Unlisted fund investments *(note (i))*	**615,760**	533,830
Listed fixed income securities	**150,682**	217,175
Unlisted fixed income securities *(note (ii))*	**300,317**	–
	1,066,759	751,005
Current:		
Unlisted fund investments *(note (i))*	**176,240**	479,717
Listed equity investments	**21,766**	63,492
Listed fixed income securities	**86,502**	55,583
Unlisted fixed income securities *(note (ii))*	**4,244**	394,651
	288,752	993,443
Total financial assets at FVTPL	**1,355,511**	1,744,448

Notes:

(i) The Group expects to realise the unlisted fund investments of approximately HK$176,240,000 (31 December 2022: HK$479,717,000) within the next twelve months and has accordingly classified them as current assets.

(ii) The coupon rates of these unlisted fixed income securities range from 7% to 8% (31 December 2022: from 7% to 8%) per annum as at 30 June 2023. The Group expects to transfer unlisted fixed income securities of approximately HK$4,244,000 (31 December 2022: HK$394,651,000) to third parties within the next twelve months.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2023 (Unaudited) *HK$'000*	31 December 2022 (Audited) *HK$'000*
Non-current:		
Fixed income securities, at fair value	**79,448**	158,251
Current:		
Fixed income securities, at fair value	**96,587**	47,164
	176,035	205,415

During the period, the loss in respect of changes in fair value of the Group's financial assets at FVTOCI recognised in other comprehensive income amounted to approximately HK$20,180,000 (2022: loss of approximately HK$91,968,000). During the period, the Group has net provision for impairment of financial assets at fair value through other comprehensive income included in profit or loss of HK$30,153,000 (2022: HK$45,458,000). Total allowances for impairment as at 30 June 2023 are approximately HK$460,409,000 (31 December 2022: HK$431,129,000). During the period, the Group did not dispose of financial assets at FVTOCI to independent third parties (2022: disposal loss of approximately HK$19,337,000 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. FINANCIAL LEASE RECEIVABLES

The finance lease receivables as at 30 June 2023:

	30 June 2023 (Unaudited) *HK$'000*
Current	**97,808**
Total	**97,808**

	30 June 2023	
	Minimum finance lease receivables	**Present value of minimum finance lease receivables**
	HK$'000	***HK$'000***
Within one year	**791,755**	**791,072**
After one year but within two years	**–**	**–**
	791,755	**791,072**
Less: Unearned finance income	**(683)**	**–**
	791,072	**791,072**
Less: Allowance for expected credit losses ("**ECL**")	**(693,264)**	**(693,264)**
Carrying amount of finance lease receivables	**97,808**	**97,808**

The finance lease receivables as at 31 December 2022:

	31 December 2022 (Audited) *HK$'000*
Current	376,565
Total	376,565

	31 December 2022	
	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	(747,717)	(747,717)
Carrying amount of finance lease receivables	376,565	376,565

Movement of ECL:

	HK$'000
At 1 January 2022 (audited)	468,128
Net provision for impairment for the year	337,520
Amount written off during the period	(3,668)
Exchange differences on translation of foreign operations	(54,263)
At 31 December 2022 and 1 January 2023 (audited)	**747,717**
Net provision for impairment for the period	**33,278**
Amount written off during the period	**(65,649)**
Exchange differences on translation of foreign operations	**(22,082)**
At 30 June 2023 (unaudited)	**693,264**

At 30 June 2023 and 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 (31 December 2022: 6.80% to 9.75% per annum).

13. OTHER LOANS AND DEBT INSTRUMENTS

	30 June 2023 (Unaudited) ***HK$'000***	31 December 2022 (Audited) *HK$'000*
Other loans and debt instruments	**1,299,652**	1,282,822
Less: Allowance for expected credit losses	**(848,718)**	(789,127)
	450,934	493,695
Analysed as:		
Non-current	**213,060**	255,821
Current	**237,874**	237,874
	450,934	493,695

As at 30 June 2023, other loans and debt instruments included loans to independent third parties which are secured and/or backed by guarantees and collaterals, with contractual interest rates ranging from 8% to 9.5% per annum (31 December 2022: 8% to 9.5% per annum).

As at 30 June 2023, other loans and debt instruments with a carrying amount of approximately HK$450,934,000 were secured by equity interests in companies listed in Hong Kong and land and properties in Mainland China (31 December 2022: HK$493,695,000 were secured by equity interests in companies listed in Hong Kong and land and properties in Mainland China).

As at 30 June 2023, other loans and debt instruments with a carrying amount of approximately HK$237,874,000 (31 December 2022: approximately HK$237,874,000) were overdue and the remaining balances were novation loans with no maturity date. No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value.

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

The management of the Group estimates the amount of loss allowance for expected credit loss on these credit impaired loan receivables by assessing the present value of estimated future cash flows with the consideration of expected future credit loss of the respective loans which are based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors or borrowers, which include any (i) significant financial difficulty of the debtors or borrowers, (ii) breach of contract or probability that the debtors or borrowers will enter bankruptcy and (iii) the status and progress of financial restructuring, general economic conditions and both the current conditions at the reporting date as well as the forecast of future conditions with significant judgments involved. Moreover, the Group also reviews and assesses the fair value of the collateral received from the customers in determining the impairment with the involvement of third party qualified valuers, if necessary. The assessment of the credit risk and therefore expected cash flows of the respective loan involves a high degree of estimation and uncertainty. In the opinion of the directors of the Company, the impairment provision for the current period is sufficient.

As at 30 June 2023, the gross carrying amount for 12-month ECL, lifetime ECL (not credit-impaired) and lifetime ECL (credit-impaired) were nil (31 December 2022: nil), HK$135,014,000 (31 December 2022: HK$153,118,000) and HK$1,164,638,000 (31 December 2022: HK$1,129,704,000) respectively.

As at 30 June 2023, the average loss rate for 12-month ECL, lifetime ECL (not credit-impaired) and lifetime ECL (credit-impaired) were nil (31 December 2022: nil), 5% (31 December 2022: 0.01%) and 72% (31 December 2022: 70%) respectively.

As at 30 June 2023, the contractual amount outstanding on other loans and debt instruments that have been written off was nil (31 December 2022: HK$580,639,000).

Novation loans

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

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

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

Thereafter, subsidiary A of the Company had taken action to restructure certain margin loans and underlying collaterals into certain loans backed by security interest and guarantee (if any) by assigning the debts and other rights and interests to subsidiary B of the Company ("**subsidiary B**") through executing agreements with certain margin customers and their guarantors (if any). Subsidiary A has signed deeds of assignment with certain margin customers which were effective on 30 April 2020 and the subsidiary A thereby assigned certain advances to customers in margin financing to subsidiary B. Subsidiary B also signed side deeds during 2020 with subsidiary A that, in consideration for the abovementioned assignment of debts and other rights and interests, subsidiary B will pay a gross amount of HK$2,447,008,000 at transaction price to subsidiary A for the transfer within 3 years. This balance is unsecured and interest-free. No repayment has been made by subsidiary B upon the maturity of amount outstanding.

As at 30 June 2023, there was a further reduction in the carrying amount of the assigned loans as compared to the position as at the assignment date as a result of increase of provision for impairment. The assigned loans have gross amount of HK$743,388,000 (31 December 2022: HK$881,325,000) and allowance for expected credit losses of HK$530,328,000 (31 December 2022: HK$625,504,000), resulting in a net balance of HK$213,060,000 (31 December 2022: HK$255,821,000).

14. ADVANCES TO CUSTOMERS IN MARGIN FINANCING

	30 June 2023 (Unaudited) ***HK$'000***	31 December 2022 (Audited) *HK$'000*
Advances to customers in margin financing	**117,527**	126,283
Less: Allowance for expected credit losses	**(93,154)**	(83,228)
	24,373	43,055

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

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

The Group allows a credit period of up to the settlement dates of the respective securities transactions or a credit period mutually agreed with the contracting parties. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables so as to minimise its credit risk. Advances to customers margin financing are secured by the pledge of customers' securities as collateral. The credit facility limits to customers in margin financing are determined by the market value of the collateral securities accepted by the Group. Overdue balances are reviewed regularly by the management.

As at 30 June 2023, the Group has concentration of credit risk as 90% (31 December 2022: 86%) of the total gross carrying amount of loans to securities margin clients due from the Group's five largest securities margin clients.

In determining the allowances for credit impaired loans to margin clients, the management of the Group also takes into account the shortfall by comparing the market value of securities pledged as collateral and the outstanding balance of loan to margin clients individually taking into account of subsequent settlement or executable settlement plan and restructuring arrangements. The management of the Group estimates the amount of expected credit loss allowance on these credit impaired loan receivables by assessing the present value of estimated future cash flows with the consideration of expected future credit losses of the respective loans which are based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors or borrowers, which include any (i) significant financial difficulty of the debtors or borrowers, (ii) breach of contract or probability that the debtors or borrowers will enter bankruptcy and (iii) the status and progress of financial restructuring, general economic conditions and both the current conditions at the reporting date as well as the forecast of future conditions with significant judgments involved. Moreover, the Group also reviews and assesses the market value of the collateral received from the customers in determining the impairment with the involvement of independent qualified valuers, if necessary. The assessment of the credit risk and therefore expected cash flows of the respective loan involves a high degree of estimation and uncertainty. In the opinion of the directors of the Company, the impairment provision for the current period is sufficient.

As at 30 June 2023, the gross carrying amount for 12-month ECL, lifetime ECL (not credit-impaired) and lifetime ECL (credit-impaired) were HK$23,910,000 (31 December 2022: HK$33,008,000), nil (31 December 2022: nil) and HK$93,617,000 (31 December 2022: HK$93,275,000) respectively.

As at 30 June 2023, the average loss rate for 12-month ECL, lifetime ECL (not credit-impaired) and lifetime ECL (credit-impaired) were 1.41% (31 December 2022: 0.09%), nil (31 December 2022: nil), and 99% (31 December 2022: 89%) respectively.

15. ACCOUNTS RECEIVABLE

	30 June 2023 (Unaudited) ***HK$'000***	31 December 2022 (Audited) *HK$'000*
Accounts receivable from:		
– securities dealing services		
– clients	**354**	344
– brokers, dealers and clearing houses	**424**	422
– corporate finance and asset management	**6,358**	18,993
– direct investment and others	**262,849**	654,444
	269,985	674,203
Less: Allowance for expected credit losses	**(73,188)**	(133,289)
	196,797	540,914

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

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

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

	30 June 2023 (Unaudited) *HK$'000*	31 December 2022 (Audited) *HK$'000*
0–30 days	**189,388**	534,982
31–90 days	**–**	–
91–365 days	**–**	–
Over 365 days	**7,409**	5,932
	196,797	540,914

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

	30 June 2023 (Unaudited) *HK$'000*	31 December 2022 (Audited) *HK$'000*
At beginning of period/year	**133,289**	276,419
Net provision for impairment	**–**	365,008
Amount written off during the year	**(60,101)**	(508,138)
At end of period/year	**73,188**	133,289

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

As at 30 June 2023, accounts receivable amounting to HK$6,358,000 (31 December 2022: HK$18,993,000) arose from corporate finance and asset management business which is under the scope of HKFRS 15 and accounts receivable amounting to HK$262,849,000 (31 December 2022: HK$654,444,000) arose from direct investment business. The Group performs impairment assessment under lifetime ECL on these balance individually for debtors. As at 30 June 2023, allowance amounting to HK$72,901,000 (31 December 2022: HK$133,005,000) 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$287,000 (31 December 2022: HK$284,000).

16. ACCOUNTS PAYABLE

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

	30 June 2023 (Unaudited) ***HK$'000***	31 December 2022 (Audited) *HK$'000*
Current to 1 month	**113,391**	125,625

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

As at 30 June 2023, accounts payable with a carrying amount of approximately HK$111,682,000 (31 December 2022: HK$123,710,000) are interest-bearing at bank savings deposit rates.

17. DIVIDENDS

No dividend was paid to the shareholders of the Company for the six months ended 30 June 2023 and 30 June 2022.

The Board has resolved not to declare the payment of any interim dividend for the six months ended 30 June 2023 and 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

For the Period, the Group recorded a revenue of approximately HK$64,436,000 (Last Period: approximately HK$135,889,000), net loss on financial assets at fair value through profit or loss of approximately HK$180,695,000 (Last Period: net loss of approximately HK$291,476,000), net loss arising from disposal of financial assets at fair value through other comprehensive income of approximately HK$0 (Last Period: net loss of approximately HK$19,337,000). Therefore, total revenue and investment losses described above amounted to approximately HK$116,259,000 (Last Period: net loss of approximately HK$174,924,000). Net loss for the Period was approximately HK$458,361,000 (Last Period: net loss of approximately HK$1,346,573,000), while loss attributable to the Shareholders for the Period was approximately HK$658,804,000 (Last Period: loss of approximately HK$1,457,379,000). The decrease in net loss for the Period was mainly due to the decrease in impairment provision made by the Group in respect of its direct investment in debt instruments, trade receivables, loans and margin financing advances as well as the decrease in loss in financial assets at fair value through profit or loss.

Basic loss per Share was HK7.6 cents for the Period as compared to basic loss per Share of HK16.7 cents for the Last Period, and no diluted loss per Share has been presented for the Period and the Last Period as there was no dilutive financial instruments for the Period and the Last Period.

BUSINESS REVIEW

In the first half of 2023, while the international landscape remained grim and complicated, the overall economic sentiments improved after the reopening of borders between Mainland China and Hong Kong, as economic and commercial activities gradually resumed and the economy was gaining momentum on the back of the Central Government's economic policy and measures underpinned by prudent progress. To address the challenging external environment, the Group persisted in progress with prudence as it continued to advance the liquidation, cash recouping and assets reduction of risk projects with stronger risk control efforts. Meanwhile, we actively refocused on our principal business and sought to consistently identify business opportunities in the market during this special period, bringing into full play the synergies of our licensed businesses to drive business transformation.

Asset Management and Direct Investment

The Group's asset management and direct investment segment is engaged in the provision of asset management and fund management services and investment in equity, debt, funds, derivative instruments and other financial products with its own funds. During the first half of 2023, global economic and political conditions became increasingly grim and complicated, and economic development in Mainland China and Hong Kong was also subject to pressure, but the economy showed signs of recovery in the wake of the waning COVID-19 pandemic. However, as the contractionary US dollar monetary policy was sustained, the capital market continued to bear pressure and the risk of US dollar bonds issued by Chinese property companies was further exposed and deepened. In view of changes in the market, the Group has been enhancing its risk control measures in relation to market risks and credit risks since the beginning of the year, persisting in driving the development of existing businesses subject to rigorous risk control. Meanwhile, we have vigorously commenced asset management businesses with a special emphasis on non-performing assets, focusing on 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 product types were offered to the market in a further focus on non-performing assets, enhancing close cooperation with investors and driving business transformation.

For the Period, the revenue from this segment was approximately HK$58,642,000, versus segment revenue of approximately HK$105,142,000 for the Last Period. The net losses on financial assets at fair value through profits or loss decreased from approximately HK$291,476,000 for the Last Period to approximately HK$180,695,000 for the Period. The segment result for the Period recorded a loss of approximately HK$360,398,000, as compared to loss of approximately HK$1,066,473,000 for the Last Period, with the decrease mainly due to the decrease in provision for impairment made for investment projects.

Securities

Securities business segment of the Group includes the provision of brokerage services, custodian service, margin financing, structured financing and investment advisory services. During the first half of 2023, the Group persisted in compliant business operation and expedited business transformation with a focus on its principal licensed business to achieve cost reduction, efficiency enhancement, diversification of revenue streams and conservation of resources against a complicated economic environment and lacklustre market sentiments. In connection with the development of financial technology, a brand new version of the mobile APP "Huarong Caifutong (華融財富通)" has completed the testing procedures and will be launched soon. In connection with its custodian business, the Group has enhanced business synergy and assisted in the disposal of stock assets in existing projects within the system to increase intermediary income. In connection with the management of existing projects, the Group further improved its risk control measures with enhanced efforts in negotiations and communication with customers to ensure principal and interest repayments as due for existing normal projects.

For the Period, the revenue and other gains or losses from the securities segment was approximately HK$2,743,000 as compared to approximately HK$2,244,000 for the Last Period. Total revenue increased on a year-on-year basis, attributable mainly to enhanced effort in business development resulting in the increase in interest-generating assets and stronger coordinating effect attained by China Huarong's major business of non-performing assets. The segment result of the securities business segment for the Period amounted to loss of approximately HK$11,292,000 as compared to loss of approximately HK$29,132,000 for the Last Period.

Corporate Finance

During the first half of 2023, the capital market of Hong Kong continued to be affected by multiple external factors. The capital market was in a state of depression, underpinned by shrinking market capitalization, decline in the weighting of shareholdings by offshore investment, reduction in market liquidity, significantly lower valuations and notable downsizing of institutions. Persisting in the business development model of "Investment + Investment Bank" and with a strong focus on its licensed business, the Company continued to advance the transformation of its licensed business and step by step forge its advantages in differentiated operations, as it achieved breakthrough in the corporate finance business. During the Period, we successfully completed a financial advisory project for privatization while diversifying into different types of financial advisory services focused on distress relief and distressed corporations, playing the role of an investment bank in restoring asset value and enhancing asset liquidity.

For the Period, revenue from the corporate finance segment amounted to approximately HK$1,551,000, while no revenue was generated from the corporate finance segment for the Last Period. The segment result for the Period was loss of approximately HK$1,677,000 as compared to gain of approximately HK$207,000 for the Last Period due to the increase in expenses attributed to this segment and the absence of other one-off income during the Period.

Financial Services and Others

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

During the Period, the revenue from this segment was approximately HK$1,430,000 (Last Period: HK$25,187,000). The segment loss for the Period decreased to approximately HK$30,322,000 (Last Period: segment loss of approximately HK$262,416,000), which was mainly attributable to the decrease in provision for finance leasing projects for the Period.

PROSPECTS

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

In connection with asset management, with China stepping up with the magnitude of its supportive policy, market sentiments in general will further improve and the industry chain and supply will steadily be restored, providing a positive boost for industrial production and employment and therefore a stronger driving force for the economy generated from investment and consumer spending. All in all, the overall momentum of economic recovery will be strengthened in a steady manner, and the cycle of economic recovery is set to provide more investment opportunities for the asset management sector and improve the overall risk profile of the market. The Group will remain focused on its principal business and deeply engaged in the "major non-performing asset" segment, especially cross-border businesses and services, 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. On the back of our specialized feature services and products, we will solidify our customer base and enhance close cooperation with investors with a view to genuinely enlarging the scale of our asset management and increasing our management fee income. In future, the Group will actively seek fundraising and seize market opportunities to develop anti-cyclical fund-based products, asset management services and custodian management services with strong efforts.

In connection with the securities business, the Group will further optimise the organizational 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. Research on brokerage services for novel products, such as over-the-counter options and other over-the-counter derivative financial products, will be conducted. 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 fully leverage the strengths of the Huarong brand in the non-performing asset segment with a special focus on the investment bank business of major non-performing assets, bringing into full play the investment bank's functions in restoring the value and arranging institutional sales of non-performing assets to further increase asset liquidity and assist customers to effectively revitalize existing low-return assets and distressed assets through investment banking initiatives in the capital market, in a bid to provide assistance and support to CHIH's principal business of major non-performing assets. We will seek to serve the development of the real economy more effectively and answer the service demands of real-economy enterprises in a more satisfactory manner in terms of corporate finance and capital market, with a special emphasis on increasing investment of resources in the privatization and return of offshore companies, merger and acquisition of equities in listed companies, asset injection for listed companies and merger and acquisition of cross-border assets, empowering and adding value to real-economy enterprises corporations with the use of investment banking instruments and gradually fostering differentiated competitive edge for the Group's corporate finance business.

FINANCIAL REVIEW

Capital Structure

As at 30 June 2023, the total number of issued Shares of the Company (with par value of HK$0.001 each) was 8,709,586,011. Total Shareholders' equity was approximately HK$-1,314,760,000 (31 December 2022: approximately HK$-732,882,000).

Liquidity and Financial Resources

The Group regularly reviews its liquidity position and actively manages liquidity and financial resources according to the changes in economic environment and business development needs. As at 30 June 2023, the Group had total cash and deposits with banks amounting to approximately HK$2,491,087,000 as compared to approximately HK$1,986,641,000 as at 31 December 2022, excluding client funds that were kept in separate designated bank accounts of approximately HK$112,249,000 (31 December 2022: approximately HK$124,535,000) and deposits in other financial institutions of approximately HK$14,487,000 (31 December

2022: approximately HK$13,527,000). As at 30 June 2023, 52% (31 December 2022: 51%) of the Group's cash and deposits with banks was denominated in HKD or RMB. The Group's gearing ratio as at 30 June 2023 was -448.27% as compared to -801.42% as at 31 December 2022, 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 robust financial position. As at 30 June 2023, the Group obtained shareholder loans and perpetual capital bonds from CHIH in an aggregate principal amount of approximately US$1,069,233,000 (equivalent to approximately HK$8,358,233,000) (31 December 2022: approximately US$1,069,233,000 (equivalent to approximately HK$8,346,884,000)) to support the business of the Group. The proceeds had been applied in full to working capital immediately after closing. Such loans were subject to interest at fixed annual interest rates ranging from 4.3% to 7.98% (31 December 2022: annual rates of 4.3% to 7.98%) and were repayable within one to seven years from the end of the Period (31 December 2022: in two to seven years from the end of the year).

As at 30 June 2023, the Group had loans denominated in USD of US$260,940,000 (equivalent to approximately HK$2,045,054,000) from Right Select International Limited (direct controlling shareholder of the Company) (31 December 2022: US$260,940,000 (equivalent to approximately HK$2,034,482,000)). The Group also had a RMB loan of RMB50,000,000 (equivalent to approximately HK$54,231,000) from a fellow subsidiary (31 December 2022: RMB loan of RMB50,000,000 (equivalent to approximately HK$55,974,000)).

As at 30 June 2023, the Group had utilised bank credit facilities of approximately HK$1,599,000,000 (31 December 2022: approximately HK$1,599,000,000), all subject to floating interest rates (31 December 2022: all subject to floating interest rates).

As at 30 June 2023, the Group had undrawn bank credit facilities of approximately HK$883,491,000 (31 December 2022: approximately HK$881,870,000), providing the Group with additional liquidity as and when required.

As at 30 June 2023, the Group was unable to comply with a financial covenant for a banking facility with loan amount of HK$624 million. In August 2023, the Group obtained a waiver from the bank, under which the bank 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 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 flexible liquidity level adequate to support the level of regulated activities with a sufficient buffer to accommodate increases in liquidity requirements arising from potential increases in the level of business activities. During the Period, all the licensed subsidiaries complied with the liquidity requirements under the Securities and Futures (Financial Resources) Rules.

Charges on Group Assets

As at 30 June 2023, the Group had not pledged any time deposits (31 December 2022: nil) to secure the bank loan facilities of the Group.

Foreign Exchange Exposures

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

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2023 and 31 December 2022.

Significant Securities Investment

As at 30 June 2023, the Group held the following significant securities investments:

(1) 1,836,000 ordinary shares (31 December 2022: 1,836,000 ordinary shares) and a secured convertible bond issued by ARTA TechFin Corporation Limited (formerly known as Freeman FinTech Corporation Limited) ("**Freeman**"), at a cost of HK$7,803,000 and HK$429,197,000, respectively. Freeman is a company incorporated in Cayman Islands and listed on the Main Board of the Stock Exchange (stock code: 279), principally engaging in financial businesses. The shares held by the Group represents 0.01% (31 December 2022: 0.01%) of the equity interests in Freeman. The respective fair values of the shares and convertible bond as at 30 June 2023 were HK$184,000 and HK$300,317,000, which aggregated to approximately 5.9% (31 December 2022: 6.8%) of the total assets of the Group. During the Period, the Group's unrealised fair value loss on the shares of Freeman was HK$25,000. The unrealised fair value loss of the secured convertible bond was HK$89,089,000.

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

(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 principal business comprises its investment in debt securities issued by companies and governments around the world. The fair value of the investment as at 30 June 2023 was HK$261,097,000 (31 December 2022: HK$293,095,000), representing approximately 5.12% of the total asset value of the Group (31 December 2022: 5.11%). The fair value of the Fund for the Period decreased by approximately HK$33,512,000 from HK$293,095,000 at the end of last year, which mainly reflected the downward adjustment to the valuation taking into account the time required for exiting from the Fund. There were no distributions from the Fund during the Period.

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$133 million for the Period, which mainly caused by the following:

- two finance leasing projects entered into by the Group, the debtors of which were two companies principally engaged in wind power generation and solar energy power generation, respectively. As the companies had been operating on tight cash flows and were 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 were considered not to have the ability to make repayments. Given the difficulty of disposing of the leased wind power and solar energy power generation equipment for cash, the Group has twice proposed since the second half of 2022 to dispose the credit right assets by way of listing on a domestic exchange but has not been successful. After taking into account the prevailing market conditions, the Group applied a further reduction adjustment on the value of these projects on the basis of their valuations as at the end of 2022, resulting in a further provision for impairment of approximately HK$82 million in total for the Period in respect of these two projects.

- two real estate sector bonds, classified as the Group’s financial assets at fair value through other comprehensive income, were downgraded in the first half of 2023 due to the ongoing deterioration of the industry and market environments with notable signs of risk and were classified as stage three assets. Based on prudent consideration, including the credit status of the issuers of the two bonds, the management provided for impairment based on the market value of the bonds as at the end of the Period and total impairment provision of approximately HK$39 million was made in respect of the two bonds for the Period.

- advances in margin financing under a margin financing project of the Group 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 June 2023 further declined compared to the beginning of this year. 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$18 million in respect of such project for the Period.

- 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 3 in mid-2021 due to consecutive overdue situations. In view of that, the management expected low chances to recover interest receivables for the project, and made full impairment provision for interest accrued out of prudence. The provision for impairment made during the Period amounted to approximately HK$30 million.

- a finance lease project entered into by the Group in 2017, the outstanding principal and interest payment of which was completed by the debtor at the end of May 2023. Therefore, provision for impairment of approximately HK$48 million was reversed for the Period.

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 publicly-issued 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. The Risk Management Department of the Company verifies and assesses the information obtained by frontline business teams during their risk management process, and determines the stage of these bonds for provision of ECL.

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

The Group made a net impairment provision of HK30 million for its financial assets at fair value through other comprehensive income for the Period. The investment cost of the main bond products involved is HK$678 million, with the remaining maturity mainly ranging from one to five years at a coupon rate ranging from 3% to 16% per annum. For details of the major impairment provision for the Period 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 provision for finance lease projects

As one of the financial services of the Group, the Company provides finance lease services in Mainland China through its indirectly wholly-owned subsidiary Zhongju (Shenzhen) Financial Leasing Co., Ltd. ("**Zhongju Financial Leasing**"). Zhongju Financial Leasing is a wholly-owned subsidiary of HRIV, and has been consolidated into the Group since the privatization 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 an equipment sale-and-purchase agreement with Zhongju Financial Leasing for the sale of the leased property/equipment to Zhongju Financial Leasing, which will pay the consideration to acquire the ownership of such leased property and then enter into a sale-and-leaseback agreement with the lessee for the lease of the property back to the lessee, whereby the lessee pays rental installments to Zhongju Financial Leasing according to the payment schedule.

As at 30 June 2023, Zhongju Financial Leasing held seven outstanding finance lease projects, which were all initially invested back in 2017. The total carrying amount of these projects as at the same date was approximately HK$98 million, of which approximately 100% was attributable to the top five projects. These projects accounted for approximately 1.92% of the Group's total assets.

These projects are entered with various counterparties who operate in car leasing, standalone new energy power station, storage and logistics, cargo aircraft leasing, etc. Geographically, all finance lease businesses are conducted in 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 projects. The Group does not have any current plan for investment in new finance lease projects in the near future.

Principal terms of finance lease projects

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

In addition, finance lease receivables are pledged by electrical cable production equipment, solar or wind power generation equipment, transport vehicles, 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 the Period, the Company performed analysis and forecast on the realisable values of the leased assets and the pledged collaterals for each finance lease project. 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 conducts ongoing assessment and analysis of risks associated with them. The Group will also appoint external agencies to conduct valuation of the leased assets at least annually to monitor movements in the value of the leased assets.

2. *Actions taken in respect of overdue projects*

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

3. *Management and decision-making process*

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

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2023, the Group employed a total of 36 employees (31 December 2022: 43 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.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B of the Listing Rules, changes in information of Directors or chief executive of the Company subsequent to the date of the 2022 annual report of the Company are as follows:

(1) Dr. LAM Lee G., an independent non-executive Director, has been appointed as an independent non-executive director of New Huo Technology Holdings Limited (Stock Code: 1611) with effect from 21 April 2023.

(2) Mr. Chen Qinghua, an executive Director and Chief Executive Officer of the Company, ceased to be a director of CHIH with effect from 25 June 2023.

(3) Mr. Ma Lishan, an independent non-executive Director, ceased to be a non-executive director of Silver Base Group Holdings Limited (in Liquidation) (Stock Code: 00886) since 30 June 2023.

(4) Mr. Hung Ka Hai Clement, an independent non-executive Director, has been appointed as an independent non-executive director of JX Energy Ltd. (Stock Code: 3395) with effect from 1 August 2023.

(5) Dr. LAM Lee G., an independent non-executive Director, served as a non-executive director of National Arts Group Holdings Limited (the "**National Arts**", a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the shares of which were listed on GEM of the Hong Kong Stock Exchange (stock code: 8228), and its listing status was subsequently cancelled on 28 August 2023) from June

2017 to July 2022. The principal activities of National Arts include film production and distribution, the provision of management services to artistes, event coordination, provision of travel related products and operations of film studio and hotels. On 28 June 2023, National Arts was ordered to be wound up by the High Court of Hong Kong under the HCCW 398/2022 order, and the Official Receiver was appointed as the provisional liquidator of National Arts. As a non-executive director, Dr. Lam had no management role in National Arts. No claim has been made against Dr. Lam since his resignation as a non-executive director of National Arts and he is not aware of any claims against him as a result of National Arts's winding-up. The Board considers that the relevant events do not in any way relate to the affairs of the Group, and there is no evidence casting doubt upon the suitability of Dr. Lam to serve as an independent non-executive Director, and the Board considers that it is appropriate for Dr. Lam to continue to serve as an independent non-executive Director.

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

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

REVIEW OF THE INTERIM FINANCIAL INFORMATION

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

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

PUBLICATION OF INTERIM REPORT

The interim report of the Company for Period will be despatched to Shareholders of the Company and published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hrif.com.hk) in September 2023.

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

Hong Kong, 29 August 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.