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

(Incorporated in Bermuda with limited liability)

(Stock Code: 993)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the "**Board**") of directors (the "**Directors**") of Huarong International Financial Holdings Limited (the "**Company**") is pleased to present to its shareholders (the "**Shareholders**") the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**"), which is extracted from the consolidated financial statements for the year ended 31 December 2023 (the "**Year**"), together with the comparative figures for the year ended 31 December 2022 (the "**Last Year**") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	**2023** ***HK$'000***	2022 *HK$'000*
REVENUE			
Commission and fee income	5	**15,115**	13,026
Interest income	5		
Interest income calculated using the effective interest method		**136,654**	151,266
Others		**19,980**	89,697
Investment income	5	**30,394**	22,641
		202,143	276,630

	Notes	2023 HK$'000	2022 HK$'000
Net loss on financial assets at fair value through profit or loss		**(202,905)**	(334,109)
Net gain arising from disposal of financial assets at fair value through other comprehensive income		**2,055**	16,507
Net gain/(loss) arising from disposal of financial assets at amortised cost		**102,114**	(217,712)
Other income and gains or losses, net		**55,117**	(105,377)
Brokerage and commission expenses		**(14)**	(3,254)
Administrative and other operating expenses		**(137,939)**	(247,343)
Impairment losses, net		**(259,925)**	(1,219,618)
Finance costs	6	**(327,299)**	(379,368)
Loss on disposal of subsidiaries		**–**	(40,843)
LOSS BEFORE TAX	7	**(566,653)**	(2,254,487)
Income tax (expense)/credit	8	**(140)**	26,461
LOSS FOR THE YEAR		**(566,793)**	(2,228,026)
Attributable to:			
Equity holders of the Company		**(967,291)**	(2,500,007)
Holder of perpetual capital securities		**400,498**	219,423
Non-controlling interests		**–**	52,558
		(566,793)	(2,228,026)
BASIC LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9	**(HK11.1 cents)**	(HK28.7 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2023	2022
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(566,793)**	(2,228,026)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequently periods:		
Fair value loss on financial assets at fair value through other comprehensive income	**(44,171)**	(99,785)
Net provision for impairment of financial assets at fair value through other comprehensive income included in profit or loss	**82,113**	141,637
Reclassification adjustments relating to disposal of financial assets at fair value through other comprehensive income during the year	**(2,055)**	(16,507)
Exchange differences on translation of foreign operations, net	**8,481**	28,100
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**44,368**	53,445
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(522,425)**	(2,174,581)
Attributable to:		
Equity holders of the Company	**(922,923)**	(2,446,562)
Holder of perpetual capital securities	**400,498**	219,423
Non-controlling interests	**–**	52,558
	(522,425)	(2,174,581)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	**31 December 2023 HK$'000**	31 December 2022 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,464**	4,449
Other long term assets		**1,043**	1,043
Intangible assets		**2,350**	2,350
Right-of-use assets		**668**	29,743
Financial assets at fair value through profit or loss	10	**869,652**	751,005
Financial assets at fair value through other comprehensive income	11	**21,286**	158,251
Other loans and debt instruments	13	**414,338**	255,821
Prepayments, deposits and other receivables		**–**	44
Total non-current assets		**1,311,801**	1,202,706
CURRENT ASSETS			
Advances to customers in margin financing	14	**11,431**	43,055
Accounts receivable	15	**243,646**	540,914
Prepayments, deposits and other receivables		**54,664**	149,364
Financial assets at fair value through profit or loss	10	**381,357**	993,443
Financial assets at fair value through other comprehensive income	11	**112,552**	47,164
Finance lease receivables	12	**84,477**	376,565
Other loans and debt instruments	13	**–**	237,874
Amounts due from related parties		**27,467**	16,005
Tax recoverable		**161**	161
Restricted bank balances		**95,828**	124,535
Deposits in other financial institutions		**13,527**	13,527
Cash and deposits with banks		**1,581,355**	1,986,641
Total current assets		**2,606,465**	4,529,248

	Notes	**31 December 2023** **HK$'000**	31 December 2022 HK$'000
CURRENT LIABILITIES			
Accounts payable	16	**98,559**	125,625
Other liabilities, payables and accruals		**159,236**	199,758
Interest-bearing borrowings		**2,320,319**	1,599,000
Repurchase agreements		**54,019**	107,331
Amounts due to related parties		**80,141**	62,322
Tax payable		**74,781**	63,444
Lease liabilities		**812**	28,907
Total current liabilities		**2,787,867**	2,186,387
NET CURRENT(LIABILITIES)/ASSETS		**(181,402)**	2,342,861
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,130,399**	3,545,567
NON-CURRENT LIABILITIES			
Other liabilities, payables and accruals		**3,504**	3,504
Interest-bearing borrowings		**2,783,549**	4,274,440
Lease liabilities		**–**	505
Total non-current liabilities		**2,787,053**	4,278,449
Net liabilities		**(1,656,654)**	(732,882)
EQUITY			
Share capital		**8,710**	8,710
Share premium and reserves		**(7,906,999)**	(6,984,076)
Equity attributable to owners of the Company		**(7,898,289)**	(6,975,366)
Perpetual capital securities classified as equity instruments		**6,241,635**	6,242,484
Total equity		**(1,656,654)**	(732,882)

Notes:

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**" or "**HKEx**"). The principal activity of the Company is investment holding. The Group is principally engaged in the brokerage and dealing of securities, 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 CITIC Financial Asset Management Co., Ltd. (formerly known as China Huarong Asset Management Co., Ltd.) ("**CCFAMC**"), a company established in the People's Republic of China ("**PRC**") and whose shares are listed on the Stock Exchange, became the ultimate holding company since 2015. Currently, major Shareholders of CCFAMC include the CITIC Group Corporation, Ministry of Finance (the "**MOF**"), China Insurance Rongxin Private Fund Co., Ltd., China Life Insurance (Group) Company, Warburg Pincus and Sino-Ocean Group Holding Limited.

2. BASIS OF PREPARATION

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

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

Going concern basis

As at 31 December 2023, the Group had net current liabilities of HK$181 million (2022: net current assets of HK$2,343 million), net liabilities of HK$1,657 million (2022: net liabilities of HK$733 million) and incurred a loss of HK$567 million (2022: net loss of HK$2,228 million) for the year then ended.

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

(i) Continuous securing of certain bank borrowings

The Group completed its negotiation with a bank for an extension of a bank borrowing during 2023. Pursuant to the agreement with the bank, the next review date of the bank borrowing of HK$200 million will be August 2024.

In addition, a bank borrowing of HK$620 million had been repaid in February 2024.

(ii) ***Utilisation of banking facilities***

As at 31 December 2023, the Group has total bank credit facilities of approximately HK$1,706,626,000 (2022: approximately HK$2,480,870,000), of which HK$820,000,000 (2022: HK$1,599,000,000) were utilised by the Group.

(iii) ***Support from intermediate controlling shareholder***

The Group has obtained a letter of support from its intermediate controlling shareholder, CHIH, who has confirmed its intention to provide sufficient financial support to the Group to enable it to meet its obligations and liabilities as and when they fall due, where the Directors are of the opinion that the financial support from CHIH will continue to be forthcoming. As at 31 December 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 (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. There are HK$1,500 million of intercompany borrowings to be due in 2024.

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

In respect of public trade 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 consolidated statement of financial position as at 31 December 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".

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

Asset management:

(1) Implement the fund investment-focused strategy.

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

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

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

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

Corporate Finance:

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

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

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

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

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

The Directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from 31 December 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 31 December 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 consolidated financial statements. The Audit Committee of the Board of Directors has confirmed that it has objectively and critically reviewed the measures mentioned above. The Audit Committee of the Board and the Board have confidence in the Group's management and concurred with management's view that the Group's business plan for the next twelve months is feasible and achievable. The Group has actively implemented, or is actively implementing, all the improvement targets outlined above for the purposes of increasing profits and improving the cash flow position of the Group.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements.

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

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

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

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

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to 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 the impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 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 Making Materiality Judgements 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 measurement, recognition or presentation of any items in the Group's 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 approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(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 as 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 had no impact on the Group's 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. 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 Group has determined the Executive Committee as its chief operating decision maker.

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

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

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

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

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

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

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

(a) Operating segments

The following tables present the revenue and results for the years ended 31 December 2023 and 2022 for the Group's operating segments.

For the year ended 31 December 2023

	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	7,994	2,601	4,520	–	15,115
Interest income	3,258	–	102,144	51,232	156,634
Investment income	–	–	30,394	–	30,394
	11,252	2,601	137,058	51,232	202,143
Net loss on financial assets at fair value through profit or loss	–	–	(202,905)	–	(202,905)
Net gain arising from disposal of financial assets at fair value through other comprehensive income	–	–	2,055	–	2,055
Net gain arising from disposal of financial assets at amortised cost	–	–	–	102,114	102,114
Other income and gains or losses, net	8,125	185	58,323	(15,151)	51,482
	19,377	2,786	(8,225)	138,195	152,133
Segment results	(819)	(3,271)	(591,602)	90,697	(504,995)
Unallocated other income and gains or losses, expenses, net					(61,658)
Loss before tax					(566,653)
Income tax expense					(140)
Loss for the year					(566,793)

Other segment information for the year ended 31 December 2023

	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	**–**	**–**	**(233,547)**	**–**	**(93,752)**	**(327,299)**
Net provision for impairment of other loans and debt instruments	**–**	**–**	**(119,521)**	**–**	**–**	**(119,521)**
Net provision for impairment of advances to customers in margin financing	**(10,443)**	**–**	**–**	**–**	**–**	**(10,443)**
Net provision for impairment of finance lease receivables	**–**	**–**	**–**	**(44,747)**	**–**	**(44,747)**
Net provision for impairment of financial assets at fair value through other comprehensive income	**–**	**–**	**(82,113)**	**–**	**–**	**(82,113)**
Net provision for impairment of other financial assets at amortised cost	**(7)**	**–**	**(3,094)**	**–**	**–**	**(3,101)**
Depreciation	**(4)**	**–**	**(31,930)**	**–**	**–**	**(31,934)**

For the year ended 31 December 2022

	Securities *HK$'000*	Corporate finance *HK$'000*	Asset management and direct investment *HK$'000*	Financial services and others *HK$'000*	Total *HK$'000*
Segment revenue					
Commission and fee income	11,216	502	1,308	–	13,026
Interest income	4,157	–	201,206	35,600	240,963
Investment income	–	–	22,641	–	22,641
	15,373	502	225,155	35,600	276,630
Net loss on financial assets at fair value through profit or loss	–	–	(334,109)	–	(334,109)
Net gain arising from disposal of financial assets at fair value through other comprehensive income	–	–	16,507	–	16,507
Net loss arising from disposal of financial assets at amortised cost	(617)	–	(217,095)	–	(217,712)
Other income and gains or losses, net	670	47	(3,888)	(113,111)	(116,282)
	15,426	549	(313,430)	(77,511)	(374,966)

	Securities	Corporate finance	Asset management and direct investment	Financial services and others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment results	(39,700)	(8,925)	(1,702,167)	(419,907)	(2,170,699)
Unallocated other income and gains or losses, expenses, net					(83,788)
Loss before tax					(2,254,487)
Income tax credit					26,461
Loss for the year					(2,228,026)

Other segment information for the year ended 31 December 2022

	Securities	Corporate finance	Asset management and direct investment	Financial services and others	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Finance costs	–	–	(369,570)	–	(9,798)	(379,368)
Net provision for impairment of other loans and debt instruments	–	–	(336,097)	–	–	(336,097)
Net provision for impairment of advances to customers in margin financing	(11,033)	–	–	–	–	(11,033)
Net provision for impairment of finance lease receivables	–	–	–	(337,520)	–	(337,520)
Net provision for impairment of financial assets at fair value through other comprehensive income	–	–	(141,637)	–	–	(141,637)
Net provision for impairment of other financial assets at amortised cost	(5)	–	(393,326)	–	–	(393,331)
Depreciation	(34)	–	(65,311)	–	(5,155)	(70,500)

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

As at 31 December 2023

	Securities *HK$'000*	**Corporate finance** *HK$'000*	**Asset management and direct investment** *HK$'000*	**Financial services and others** *HK$'000*	**Total** *HK$'000*
Total segment assets	**1,132,303**	**17,282**	**1,722,339**	**726,774**	**3,598,698**
Other unallocated assets					**319,568**
Total assets					**3,918,266**
Total segment liabilities	**115,269**	**–**	**34,906**	**305,621**	**455,796**
Other unallocated liabilities					**5,119,124**
Total liabilities					**5,574,920**

As at 31 December 2022

	Securities *HK$'000*	Corporate finance *HK$'000*	Asset management and direct investment *HK$'000*	Financial services and others *HK$'000*	Total *HK$'000*
Total segment assets	1,266,161	22,578	1,981,265	585,081	3,855,085
Other unallocated assets					1,876,869
Total assets					5,731,954
Total segment liabilities	177,966	100	71,253	302,479	551,798
Other unallocated liabilities					5,913,038
Total liabilities					6,464,836

(b) Geographical information

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

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

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

	Revenue from external customers		**Non-current assets**	
	2023	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**150,911**	240,136	**5,477**	36,537
Mainland China	**51,232**	36,494	**5**	5
Total	**202,143**	276,630	**5,482**	36,542

Note: Non-current assets excluded financial assets.

(c) Information about major customers

During the year ended 31 December 2023, three external customers contributed more than 10% of total revenue of the Group (2022: one external customer):

	2023	2022
	HK$'000	*HK$'000*
Customer A from asset management and direct investment:	**59,468**	39,249
Customer B from asset management and direct management:	**28,359**	554
Customer C from financial services and others:	**49,214**	13,629

5. REVENUE

The Group's revenue is disaggregated as follows:

	2023	2022
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Commission and fee income *(note (i))*:		
Fee and commission income on securities dealing and brokerage	**7,875**	11,050
Placing and underwriting fee income	**1**	252
Consultancy and financing advisory fee income	**2,600**	274
Management fee income	**1,764**	1,308
Other service income	**2,875**	142
	15,115	13,026

	2023	2022
	HK$'000	*HK$'000*
Revenue from other sources		
Interest income:		
Interest income calculated using the effective interest method		
Interest income from other loans and debt instruments	**82,164**	111,509
Interest income from finance lease receivables	**51,232**	35,600
Interest income from margin financing activities	**3,258**	4,157
	136,654	151,266
Interest income – others:		
Interest income from financial assets at fair value through profit or loss	**9,210**	72,958
Interest income from financial assets at fair value through other comprehensive income	**10,770**	16,739
	19,980	89,697
Total interest income	**156,634**	240,963
Investment income:		
Dividend income	**30,394**	22,641
Total revenue	**202,143**	276,630

Note:

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

	2023	2022
	HK$'000	*HK$'000*
Services transferred at a point in time	**12,351**	11,444
Services transferred over time	**2,764**	1,582
Total revenue from contracts with customers	**15,115**	13,026

6. FINANCE COSTS

	2023	2022
	HK$'000	*HK$'000*
Interest on bank borrowings	**93,751**	60,363
Interest on repurchase agreements and other activities	**3,989**	9,829
Interest on loans from an intermediate holding company		
– repayable on demand and within one year	**11,069**	14,871
– repayable in more than one year but not more than five years	**81,593**	154,483
– repayable in more than five years	**32,410**	32,686
Interest on loans from an immediate holding company		
– repayable on demand and within one year	**51,878**	–
– repayable in more than one year but not more than five years	**–**	51,913
– repayable in more than five years	**49,628**	49,663
Interest on a loan from a fellow subsidiary		
– repayable on demand and within one year	**2,593**	–
– repayable in more than one year but not more than five years	**–**	2,791
Interest on lease liabilities	**388**	2,769
	327,299	379,368

7. LOSS BEFORE TAX

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

	2023	2022
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**2,859**	9,402
Depreciation of right-of-use assets	**29,075**	61,098
Gain on disposal of property, plant and equipment	**–**	(387)
Auditor's remuneration	**5,150**	6,013
Legal and professional fees	**8,885**	12,321
Salaries, bonuses and allowances (including directors' remuneration)	**27,452**	54,700
Pension scheme contributions (including directors' remuneration)	**1,545**	1,729
Net provision for impairment of other loans and debt instruments	**119,521**	336,097
Net provision for impairment of advances to customers in margin financing	**10,443**	11,033
Net provision for impairment of finance lease receivables	**44,747**	337,520
Net provision for impairment of financial assets at fair value through other comprehensive income	**82,113**	141,637
Net provision for impairment of accounts receivable	**3,101**	365,008
Net provision for impairment of other assets	**–**	28,323

8. INCOME TAX

	2023	2022
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**140**	1,491
Over-provision in prior years:		
Hong Kong	**–**	(27,952)
	140	(26,461)

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

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2022: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%).

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries in Mainland China was 25% for the year (2022: 25%).

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

	2023	2022
	HK$'000	*HK$'000*
Loss before tax	**(566,653)**	(2,254,487)
Tax at the statutory tax rate of 16.5% (2022: 16.5%)	**(93,498)**	(371,990)
Effect of different tax rate of 8.25% under two-tiered tax regime (2022: 8.25%)	**(180)**	–
Over-provision in prior years	**–**	(27,952)
Income not subject to tax	**(15,600)**	(8,543)
Expenses not deductible for tax	**8,703**	41,527
Effect of tax loss not recognised	**95,309**	232,982
Temporary difference not recognised	**(1,594)**	155,989
Tax loss utilised	**(510)**	(12,865)
Effect of different tax rate of subsidiaries operating on other jurisdiction	**7,510**	(35,609)
Tax charge/(credit) for the year	**140**	(26,461)

At the end of the year, the Group has unused tax losses arising in Hong Kong of approximately HK$9,242,366,000 (2022: HK$8,854,571,000) available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The group also has tax losses arising in PRC of HK$252,522,000 (2022: HK$125,793,000) that will expire in one to five years for offsetting against future taxable profits. As of 31 December 2023, no deferred tax asset has been recognised due to the unpredictability of future profit streams.

At 31 December 2023, the Group has other deductible temporary differences of HK$1,500,479,000 (2022: HK$1,747,728,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

At 31 December 2023 and 2022, in the opinion of the directors that there was no significant unrecognised deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in PRC that are subject to withholding taxes.

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

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

	2023	2022
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	**(967,291)**	(2,500,007)

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

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

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023	2022
	HK$'000	*HK$'000*
Financial assets at FVTPL		
Non-current:		
– Unlisted fund investments	**468,897**	533,830
– Listed fixed income securities	**122,622**	217,175
– Unlisted fixed income securities *(note (ii))*	**278,133**	–
	869,652	751,005
Current:		
– Unlisted fund investments *(note (i))*	**323,917**	479,717
– Listed equity investments	**15,613**	63,492
– Listed fixed income securities	**41,827**	55,583
– Unlisted fixed income securities *(note (ii))*	**–**	394,651
	381,357	993,443
Total financial assets at FVTPL	**1,251,009**	1,744,448

Notes:

(i) The Group expects to realise the unlisted fund investments of approximately HK$323,917,000 (2022: HK$479,717,000) within the next twelve months and has accordingly classified them as current assets.

(ii) The coupon rate of these unlisted fixed income securities is 7% (2022: ranged from 7% to 8%) per annum as at 31 December 2023. The Group expects to realise such unlisted fixed income securities in more than 1 year (2022: within the next twelve months).

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023	2022
	HK$'000	*HK$'000*
Non-current:		
Fixed income investments, at fair value	**21,286**	158,251
Current:		
Fixed income investments, at fair value	**112,552**	47,164
	133,838	205,415

During the year, the loss in respect of changes in the fair value of the Group's financial assets at FVTOCI recognised in other comprehensive income amounted to approximately HK$44,171,000 (2022: loss of approximately HK$99,785,000). During the year, the Group has made net provision for impairment of financial assets at fair value through other comprehensive income included in profit or loss of HK$82,113,000 (2022: HK$141,637,000). Total allowance for impairment as at 31 December 2023 is HK$273,859,000 (2022: HK$431,129,000). During the year, the Group disposed of financial assets at FVTOCI to independent third parties and a gain of approximately HK$2,055,000 (2022: a gain of approximately HK$16,507,000) was reclassified from other comprehensive income to profit or loss upon disposal.

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

12. FINANCE LEASE RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Minimum finance lease receivables		
Within one year	**596,812**	1,125,516
Less: Unearned finance income	**–**	(1,234)
Net amount of finance lease receivables	**596,812**	1,124,282
Less: Allowance for expected credit losses ("**ECL**")	**(512,335)**	(747,717)
Carrying amount of finance lease receivables	**84,477**	376,565
Present value of minimum finance lease receivables:		
Within one year	**596,812**	1,124,282

Movement of ECL

	HK$'000
At 1 January 2022	468,128
Net provision for impairment for the year	337,520
Written off	(3,668)
Exchange difference on translation of foreign operations	(54,263)
At 31 December 2022 and 1 January 2023	**747,717**
Net provision for impairment for the year	**91,690**
Written off	**(3,802)**
Reversal	**(46,943)**
Disposal	**(266,954)**
Exchange difference on translation of foreign operations	**(9,373)**
At 31 December 2023	**512,335**

At 31 December 2023, 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 (2022: 6.80% to 9.75% per annum).

13. OTHER LOANS AND DEBT INSTRUMENTS

	2023	2022
	HK$'000	*HK$'000*
Other loans and debt instruments	**1,322,986**	1,282,822
Less: Allowance for expected credit losses	**(908,648)**	(789,127)
	414,338	493,695
Analysed as:		
Non-current	**414,338**	255,821
Current	**–**	237,874
	414,338	493,695

As at 31 December 2023, other loans and debt instruments have contractual interest rates ranging from 8.5% to 25% per annum (2022: 8% to 25% per annum).

As at 31 December 2023, other loans and debt instruments with a carrying amount of approximately HK$414,338,000 were secured by equity interests in companies listed in Hong Kong and land and properties in Mainland China (2022: approximately HK$493,695,000 were secured by equity interests in companies listed in Hong Kong and land and properties in Mainland China).

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

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

The management of the Group estimates the amount of loss allowance for expected credit 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 31 December 2023, the gross carrying amount of other loans and debt instruments under 12-month ECL, lifetime ECL (not credit-impaired) and lifetime ECL (credit-impaired) were nil (2022: nil), HK$123,058,000 (2022: HK$153,118,000) and HK$1,199,928,000 (2022: HK$1,129,704,000), respectively.

As at 31 December 2023, the average loss rates of other loans and debt instruments under 12-month ECL, lifetime ECL (not credit-impaired) and lifetime ECL (credit-impaired) were nil (2022: nil), 4.84% (2022: 0.01%) and 75% (2022: 70%), respectively.

As at 31 December 2023, the contractual amount outstanding on other loans and debt instruments that have been written off during the year was nil (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 a subsidiary of the Company ("**subsidiary B**") through executing agreements with certain margin customers and their guarantors (if any). Subsidiary A has signed deeds of assignment with certain margin customers which were effective on 30 April 2020 and subsidiary A thereby assigned certain advances to customers in margin financing to subsidiary B. Subsidiary B also signed side deeds during 2020 with subsidiary A that, in consideration for the abovementioned assignment of debts and other rights and interests, subsidiary B shall pay a gross amount of HK$2,447,008,000 at a transaction price to subsidiary A for the transfer within 3 years. This balance is unsecured and interest-free.

As at 31 December 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 during the year. The assigned loans have gross amount of HK$736,987,000 (2022: HK$881,325,000) and allowance for expected credit losses of HK$560,523,000 (2022: HK$625,504,000), resulting in a net balance of HK$176,464,000 (2022: HK$255,821,000).

14. ADVANCES TO CUSTOMERS IN MARGIN FINANCING

	2023	2022
	HK$'000	*HK$'000*
Advances to customers in margin financing	**105,102**	126,283
Less: Allowance for expected credit losses	**(93,671)**	(83,228)
	11,431	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 available for the shortfall.

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

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

All the pledged securities were listed equity securities in the respective stock exchanges in Hong Kong as at 31 December 2023 and 2022, amounted to HK$71,227,000 and HK$210,290,000, respectively. The loans are repayable on demand subsequent to the settlement date of the trade.

As at 31 December 2023, the Group has concentration of credit risk as 95% (2022: 86%) of the total advances to securities margin clients due from the Group's five largest securities margin clients.

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

As at 31 December 2023, the gross carrying amount of advances to customers in margin financing under 12-month ECL, lifetime ECL (not credit-impaired) and lifetime ECL (credit-impaired) were HK$11,019,000 (2022: HK$33,008,000), nil (2022: nil) and HK$94,083,000 (2022: HK$93,275,000), respectively.

As at 31 December 2023, the average loss rates of advances to customers in margin financing under 12-month ECL, lifetime ECL (not credit-impaired) and lifetime ECL (credit-impaired) were 0.22% (2022: 0.09%), nil (2022: nil) and 100% (2022: 89%), respectively.

As at 31 December 2023 and 31 December 2022, the contractual amount outstanding on advances to customers in margin financing that have been written off, but were still subject to enforcement activity was nil.

15. ACCOUNTS RECEIVABLE

	2023	2022
	HK$'000	*HK$'000*
Accounts receivable from:		
– securities, futures and options dealing services		
– clients	**296**	344
– brokers, dealers and clearing houses	**2,145**	422
– corporate finance and asset management	**6,608**	18,993
– direct investment and others	**310,883**	654,444
	319,932	674,203
Less: Allowance for expected credit losses	**(76,286)**	(133,289)
	243,646	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 the settlement date and bear variable interests at commercial rates. The normal settlement terms of accounts receivable arising from the business of dealing in securities are two days after the trade date or at specific terms agreed with clients, brokers and dealers, and that of accounts receivable arising from the business of dealing in futures and options are one day after the trade date.

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

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

	2023	2022
	HK$'000	*HK$'000*
0–30 days	**239,256**	534,982
31–90 days	**–**	–
91–365 days	**–**	–
Over 365 days	**4,390**	5,932
	243,646	540,914

Movement of ECL

	2023	2022
	HK$'000	*HK$'000*
At beginning of year	**133,289**	276,419
Net provision for impairment	**3,101**	365,008
Amount written off during the year	**(60,104)**	(508,138)
At end of year	**76,286**	133,289

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

As at 31 December 2023, accounts receivable amounting to HK$6,608,000 (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$310,883,000 (2022: HK$654,444,000) arose from direct investment business. The Group performs impairment assessment under lifetime ECL on these balances individually for debtors. As at 31 December 2023, allowance amounting to HK$75,995,000 (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$291,000 (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:

	2023	2022
	HK$'000	*HK$'000*
Current to 1 month	**98,559**	125,625

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

As at 31 December 2023, accounts payable with a carrying amount of approximately HK$96,966,000 (2022: HK$123,710,000) are interest-bearing at bank savings deposit rates.

17. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend for the year. No dividend was paid to the shareholders of the Company for the years ended 31 December 2023 and 31 December 2022. The board has resolved not to declare the payment of any dividend for the years ended 31 December 2023 and 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

For the Year, the Group recorded a revenue of approximately HK$202,143,000 (Last Year: approximately HK$276,630,000), net loss on financial assets at fair value through profit or loss of approximately HK$202,905,000 (Last Year: net loss of approximately HK$334,109,000), and net gain arising from disposal of financial assets at fair value through other comprehensive income of approximately HK$2,055,000 (Last Year: net gain of approximately HK$16,507,000) and net gain arising from disposal of financial assets at amortised cost of HK$102,114,000 (Last Year: net loss of approximately HK$217,712,000). Therefore, total revenue, investment gains or losses described above amounted to approximately HK$103,407,000 (Last Year: net loss of approximately HK$258,684,000). The Group recorded a loss for the Year of approximately HK$566,793,000 as compared to a loss of approximately HK$2,228,026,000 for Last Year. Loss attributable to Shareholders for the Year was approximately HK$967,291,000 as compared to that of approximately HK$2,500,007,000 for Last Year. The decrease in net loss for the Year was mainly due to the decrease in impairment provision of HK$259,925,000 (Last Year: HK$1,219,618,000) 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 disposal loss of financial assets at amortised cost.

Basic loss per share was HK11.1 cents for the Year as compared to basic loss per share of HK28.7 cents for Last Year. No diluted loss/earnings per share has been presented for the Year and Last Year as there was no dilutive ordinary shares for the Year.

BUSINESS REVIEW

In 2023, global economic growth hit the brake amidst considerable uncertainties, as market liquidity was affected by factors such as escalating geopolitical tensions, persistent core inflation and unyielding high interest rates. In Mainland China, while economic growth had returned to a positive trend in general, there was nonetheless a slowdown owing to sluggish global economic performance and weak domestic demand. Hong Kong’s overall economic recovery was also slackened, while the Hong Kong stock market underwent bleak conditions. Such factors have presented continuous challenges to the Group’s operations.

Securities

Securities business segment includes the provision of on-line and offline brokerage services, custodian service, margin financing, structured financing and investment advisory services. During 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 sources and conservation of resources with more robust marketing and business development effort, against a complicated economic environment and lacklustre market sentiments. In connection with the development of financial technology, a brand new version of the mobile APP “Huarong Caifutong (華融財富通)” has been successfully launched in smooth operation. In connection with its custodian business, the Group has enhanced business synergy and assisted in the disposal of stock assets in existing projects within the system to increase intermediary income. In connection with the management of existing projects, the Group further improved its risk control measures with enhanced efforts in negotiations and communication with customers to ensure principal and interest repayments as due for existing normal projects.

For the Year, the revenue from the securities segment was approximately HK$11,252,000 as compared to approximately HK$15,373,000 for Last Year. The year-on-year decrease in total revenue was attributable mainly to the decrease in interest income following effort to reduce risk exposures relating to interest-generating assets, coupled with the decrease in revenue from new share subscription, commission and financing interest as a whole in the midst of a lacklustre securities market. Nevertheless, asset quality has been effectively enhanced with the effective reduction of risk exposures following the Group’s effort to strengthen risk control over existing projects. Moreover, as a result of the increase in other income and revenue for the Year, and the implementation of cost reduction and efficiency measures to further cut operating costs, the loss in the result of the securities business segment for the Year was reduced to approximately HK$819,000 from approximately HK$39,700,000 for Last Year.

Corporate Finance

During 2023, the Company continued to advance the transformation of its licensed business and step by step forge its advantages in differentiated operations, achieving breakthrough in the corporate finance business in adherence to the business development model of “Investment + Investment Bank” with a strong focus on its licensed business and enhanced marketing efforts against the backdrop of adverse factors such as the ongoing depression of the Hong Kong capital market, the relatively late formation of its investment banking team and limited pipeline of existing projects. During the Year, we successfully advised on projects as a financial advisor in connection with privatization, merger and acquisition, and as a compliance advisor and an investor consulting agent, respectively, as we explored different types of financial advisory services for distressed corporations and played the role of an investment bank in restoring asset value and enhancing asset liquidity. We assisted listed companies with their equity acquisition and asset injection and facilitated reallocation of the resources of listed companies. In the meantime, we assisted the linear asset department of Huarong International to effectively utilise its existing assets, leveraging fully our capabilities in institutional sales as an investment bank.

For the Year, revenue from the corporate finance segment amounted to approximately HK$2,601,000, an improvement compared to approximately HK$502,000 for Last Year. Attributable to the effect of cost reduction and efficiency enhancement measures, the segment result for the Year was loss of approximately HK$3,271,000 as compared to loss of approximately HK$8,925,000 for Last Year.

Asset Management and Direct Investment

The Group's asset management and direct investment segment is engaged in the provision of asset management and fund management services and investment of its own funds in equity, debt, funds, derivative instruments and other financial products. In 2023, the asset management and direct investment business was subject to considerable challenge, given the unyielding high USD interest rate throughout the year and the continuous plummeting of the Hong Kong capital market. To address changes in the market, the Group enhanced its risk control measures in relation to market risks and credit risks and ensured stable performance of its existing assets subject to persistent risk control. Meanwhile, we continued to focus on asset management within the sector of non-performing assets, focusing on and grasping special opportunities in the market of default debt, with a view to realizing countercyclical investment gains against a declining market.

The Group leveraged its build-up and strengths in the non-performing asset business and focused on investment in major non-performing assets to develop an asset management business with distinctive characteristics. By seizing specific market opportunities and catering to market demands, a specialised business and service model with distinct features was developed to offer the market with a wider range of services and product types, enhancing close cooperation with investors to deepen its business development.

For the Year, the revenue from this segment was approximately HK$137,058,000, versus segment revenue of approximately HK$225,155,000 for Last Year. The decrease was attributable mainly to the relative decrease in interest income in line with the reduction in asset size as a result of the ongoing cutback of risk assets. The net losses on financial assets at fair value through profits or loss decreased from approximately HK$334,109,000 for Last Year to approximately HK$202,905,000 for the Year. The segment result for the Year recorded a loss of approximately HK$591,602,000, a substantial decrease as compared to loss of approximately HK$1,702,167,000 for Last Year, reflecting mainly the substantial decrease in provision for impairment made for investment projects.

Financial Services and Others

Financial services and others segment 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 logistics, automobile, aviation, solar energy and wind power generation, etc, with a view to obtaining rental income.

During the Year, the revenue from this segment was approximately HK$51,232,000 (Last Year: HK$35,600,000) and net income of approximately HK$102,114,000 (Last Year: HK$0) from the disposal of financial assets at amortised cost. The segment gain for the Year amounted to approximately HK$90,697,000 (Last Year: segment loss of approximately HK$419,907,000), which was mainly attributable to the abovementioned disposal of finance leasing projects during the Year.

PROSPECTS

In 2024, the global economy will continue to be overshadowed by considerable uncertainty given adverse factors such as escalating geopolitical tensions and a market environment of unyielding high interest rates. Against challenges and uncertainties in the external environment, economic growth in Mainland China and Hong Kong will inevitably be subject to pressure.

The Group will closely monitor global developments and overcome any hurdles with focused efforts. In connection with the securities business, the Group will further enhance its operational efficiency and continuously improve its operational compliance in genuine prevention and control of compliance and operational risks. A special emphasis will be placed on the institutional business and the intermediary business to increase revenue contributions from the institutional business. We will also enhance business synergy by fostering close cooperation with the corporate finance business to provide customers with one-stop financial services. Meanwhile, the customer marketing channel will be further broadened by developing connections with private banks and family business offices in Hong Kong. In connection with corporate finance, the Group will gear up its marketing effort to cultivate target customer groups 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. Meanwhile, we will seek to serve the development of the real economy more effectively and answer the service demands of real-economy enterprise 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 cross-border merger and acquisition of 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. In connection with asset management, we will address the potential impact of escalating uncertainties in the global market and facilitate stable development of our existing businesses by consistently enhancing our risk management. On the other hand, we will fully grasp special investment opportunities present in this particular stage of the market cycle and make deeper efforts in the "major non-performing asset" segment on the back of its experience and strengths afforded by business synergy in its own financial licenses and non-performing asset businesses to further expand and promote investment businesses in offshore markets. With gradually improving sentiments in the capital market and the gradual decline of the USD interest rate, new driving force and opportunities for business development will materialise as the market comes to a turning point. The Group will continue to focus on its principal businesses and seize investment opportunities in the relief of distressed enterprises, asset utilisation and material reorganisation, among others, in vigorous development of countercyclical asset management businesses.

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

FINANCIAL REVIEW

Capital Structure

As at 31 December 2023, the total number of issued Shares of the Company (with par value of HK$0.001 each) was 8,709,586,011. Total Shareholders' equity was approximately HK$-1,656,654,000 (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 31 December 2023, the Group had total cash and deposits with banks amounting to approximately HK$1,581,355,000 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$95,828,000 (31 December 2022: approximately HK$124,535,000) and deposits in other financial institutions of approximately HK$13,527,000 (31 December 2022: approximately HK$13,527,000). As at 31 December 2023, 67% (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 31 December 2023 was 130% as compared to 102% as at 31 December 2022, being calculated as borrowings over total assets. The change in debt ratio was attributable to a decrease in the Group's total assets in the Year.

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 31 December 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$8,352,179,000) (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 in one to six years from the end of the Year (31 December 2022: in two to seven years).

As at 31 December 2023, the Group had loans denominated in USD of US$260,940,000 (equivalent to approximately HK$2,039,415,000) 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$55,174,000) from a fellow subsidiary (31 December 2022: RMB loan of RMB50,000,000 (equivalent to approximately HK$55,974,000)). Such loans were subject to interest at fixed annual interest rates ranging from 3.87% to 5.81% (31 December 2022: annual rates of 3.87% to 5.81%) and were repayable in one to six years from the end of the Year (31 December 2022: in two to seven years).

As at 31 December 2023, the Group had utilised bank credit facilities of approximately HK$820,000,000 (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 31 December 2023, the Group had undrawn bank credit facilities of approximately HK$886,626,000 (31 December 2022: approximately HK$881,870,000), providing the Group with additional liquidity as and when required.

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

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

Charges on Group Assets

As at 31 December 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 31 December 2023 and 31 December 2022.

Significant Securities Investment

As at 31 December 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$407,013,000, 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 31 December 2023 were HK$75,000 and HK$278,133,000, which aggregated to approximately7.1% (31 December 2022: 6.8%) of the total assets of the Group. During the Year, the Group's unrealised fair value loss on the shares of Freeman was HK$134,000. The net loss on the secured convertible bond was HK$89,090,000.

    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 31 December 2023 was HK$262,223,000 (31 December 2022: HK$293,095,000), representing approximately 6.69% of the total asset value of the Group (31 December 2022: 5.11%). The fair value of the Fund for the Year decreased by approximately HK$31,660,000 from HK$293,095,000 at the end of the 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 Year.

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

(3) The outstanding principal balance of HK$250,000,000 (31 December 2022: HK$250,000,000) and accrued interests of HK$139,216,000 (31 December 2022: HK$79,747,000) of the senior secured bonds (the "**Bonds**") issued by Superactive Group Company Limited (the "**Superactive Group**"). The total principal amount of the Bonds subscribed for by the Group was HK$300,000,000. The Superactive Group was incorporated in Bermuda and listed on the Main Board of the Stock Exchange (stock code: 176), and mainly engages in manufacturing of electronics products, property management and regulated financial services. As the Superactive Group failed to redeem the principal amount of the Bonds and pay the related interests on time, the management expected that the possibility of recovering interests receivable is remote, and made full Impairment provisions on the accrued interests during the Year out of prudence. The fair value of the Bonds as at 31 December 2023 was HK$237,874,000 (31 December 2022: HK$237,874,000), representing approximately 6.07% (31 December 2022: 4.35%) of the Group's total assets.

The Bonds defaulted on March 2021 and the Group is in discussions with the Superactive Group to advance a feasible debt restructuring plan.

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$260 million for the year, which was mainly attributable to the following:

- three real estate sector bonds, classified as the Group's financial assets at fair value through other comprehensive income, were downgraded in 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 three bonds, the management provided for impairment based on the market value of the bonds as at the end of the Year and total impairment provision of approximately HK$84 million was made in respect of the three bonds for the Year.

- 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 two companies had been operating on tight cash flows and been affected by the change of local subsidy policies, they 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 made a provision for impairment of approximately HK$81 million for the Year. Since the second half of 2022, the credit right assets relating to these projects had been listed on a domestic exchange for sale and the assignment and settlement of the relevant assets were successfully completed in October 2023.

- a fixed income project of the Group entered into in 2017 for investment purpose, the main collaterals of which are equity interests of a project company holding shops in Lijiang, the PRC. The project was classified as stage three in mid-2021 due to consecutive overdue situations. In view of that, the management expected low chances to recover interest receivables for the project and made full impairment provision for the interest accrued out of prudence. The provision for impairment made during the Year amounted to approximately HK$59 million.

- 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 consisted of shares of a listed company in Hong Kong. The market price of such shares in 2023 further declined compared to the end of 2022 and trading in such company's shares was suspended in the second half of 2023. The Group calculated the recoverable amount of the loan according to the quoted price of the pledged shares immediately prior to the suspension taking into account a liquidity discount, resulting in a further provision for impairment of approximately HK$54 million in respect of such project for the Year.

- 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$47 million was reversed for the Year.

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

II. Provision for Impairment of publicly issued bonds

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

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

The Group made a net impairment provision of HK$82,113,000 for its financial assets at fair value through other comprehensive income for the Year. The investment cost of the main bond products involved is HK$678 million and the carrying amount is HK$134 million, with the remaining maturity mainly ranging from one to five years, and the coupon rate ranging from 3% to 16% per annum. For details of the major impairment provision for the Year for publicly issued bonds, please refer to the sub-section headed "I. Overall provision for impairment" above.

III. Finance lease business and provision for impairment

Impairment of finance lease projects

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

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

As at 31 December 2023, Zhongju Financial Leasing held four outstanding finance lease projects which were initially invested back in 2017. The total carrying amount of these projects as at the same date was approximately HK$84 million. These projects accounted for approximately 2.16% of the Group's total assets.

These projects are entered with various counterparties who operate in car leasing, cable and wire equipment, cargo aircraft leasing, etc. In terms of geographical distribution, the finance lease business is conducted in the mainland China, including Guangdong Province and Anhui Province, etc.

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

Principal terms of finance lease projects

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

In addition, finance lease receivables are pledged with electrical cable production equipment, transport vehicles, passenger vehicles and cargo aircrafts, as well as equity interests in companies.

Credit risk assessment and impairment provision for finance lease projects

All the finance lease projects held by the Group, are classified as stage 3 for ECL estimation. During 2023, the Company performed analysis and forecast on the realisable values of the leased assets and the pledged collaterals for each finance lease project. Please refer to the sub-section headed "I. Overall provision for impairment" above for details of the impairment provision for finance lease projects.

Key internal control measures

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

1. *Daily risk monitoring*

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

2. *Actions taken in respect of overdue projects*

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

3. *Management and decision-making process*

The Company manages its finance lease projects in accordance with the project management requirements for creditor right projects. The Company's Risk Management Department assesses the impairment of financial assets at amortised cost and financial assets at fair value through other comprehensive income on an ongoing basis and communicates with the management and/or the Board in a timely manner in respect of the impact of relevant events on specific projects and on the Group's financial report. The Company's management reviews on a quarterly basis the results of risk classification for credit right projects, including finance lease projects, as examined by the Risk Management Department and reviews on a half-yearly basis the impairment provision amount of such projects as examined by the Risk Management Department, and makes recommendations to the Board accordingly. At the Board level, the 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.

ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on 13 June 2024 (the "**AGM**"). A notice convening the AGM will be published in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 7 June 2024 to Thursday, 13 June 2024, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the forthcoming AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Thursday, 6 June 2024.

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

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

CORPORATE GOVERNANCE PRACTICES

Throughout the Year, the Company has adopted the principles and has complied with all the applicable and implemented code provisions of the Corporate Governance Code set out in Appendix C1 (formerly Appendix 14) of the Listing Rules.

Details of the Company's corporate governance practices during the Year will be included in the Corporate Governance Report set out in the Company's annual report 2023.

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**") set out in Appendix C3 (formerly 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 Model Code throughout the Year.

AUDIT COMMITTEE

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

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this preliminary announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this preliminary announcement.

EVENTS AFTER THE END OF THE REPORTING PERIOD

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

PUBLICATION OF ANNUAL REPORT

The 2023 annual report of the Company will be published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.hrif.com.hk) in due course by the end of April 2024.

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

Hong Kong, 28 March 2024

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.