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

(Incorporated in Bermuda with limited liability)

(Stock Code: 993)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board (the "**Board**") of directors (the "**Directors**") of Huarong International Financial Holdings Limited (the "**Company**") hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2024 together with the comparative figures for the six months ended 30 June 2023 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	**30 June 2024 (Unaudited)** ***HK$'000***	31 December 2023 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,346**	2,464
Other long term assets		**1,043**	1,043
Intangible assets		**2,350**	2,350
Right-of-use assets		**527**	668
Financial assets at fair value through profit or loss	10	**578,686**	869,652
Financial assets at fair value through other comprehensive income	11	**23,143**	21,286
Other loans and debt instruments	13	**662,551**	414,338
Total non-current assets		**1,269,646**	1,311,801
CURRENT ASSETS			
Advances to customers in margin financing	14	**1,197**	11,431
Accounts receivable	15	**1,034**	243,646
Prepayments, deposits and other receivables		**50,208**	54,664
Financial assets at fair value through profit or loss	10	**454,890**	381,357
Financial assets at fair value through other comprehensive income	11	**59,821**	112,552
Finance lease receivables	12	**45,812**	84,477
Amounts due from related parties		**28,609**	27,467
Tax recoverable		**161**	161
Restricted bank balances		**95,036**	95,828
Deposits in other financial institutions		**13,809**	13,527
Cash and deposits with banks		**627,595**	1,581,355
Total current assets		**1,378,172**	2,606,465

	Note	**30 June 2024 (Unaudited) *HK$'000***	31 December 2023 (Audited) *HK$'000*
CURRENT LIABLITIES			
Accounts payable	16	**99,200**	98,559
Other liabilities, payables and accruals		**155,967**	159,236
Interest-bearing borrowing		**200,000**	2,320,319
Repurchase agreements		**–**	54,019
Amounts due to related parties		**74,128**	80,141
Tax payable		**49,551**	74,781
Lease liabilities		**660**	812
Total current liabilities		**579,506**	2,787,867
NET CURRENT ASSETS/(LIABILITIES)		**798,666**	(181,402)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,068,312**	1,130,399
NON-CURRENT LIABILITIES			
Other liabilities, payables and accruals		**3,504**	3,504
Interest-bearing borrowings		**3,777,067**	2,783,549
Total non-current liabilities		**3,780,571**	2,787,053
NET LIABILITIES		**(1,712,259)**	(1,656,654)
EQUITY			
Share capital		**8,710**	8,710
Share premium and reserves		**(7,962,380)**	(7,906,999)
Equity attributable to owners of the Company		**(7,953,670)**	(7,898,289)
Perpetual capital securities classified as equity instruments		**6,241,411**	6,241,635
Total equity		**(1,712,259)**	(1,656,654)

Notes:

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**" or "**HKEx**"). The principal activity of the Company is investment holding. The Group is principally engaged in the brokerage and dealing of securities, margin financing, loan financing, financial advisory, direct investments, investment holding, provision of advising on corporate finance services and provision of management and consultancy services. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of operations of the Company is 15th floor, China Huarong Tower, 60 Gloucester Road, Wanchai, Hong Kong. The intermediate controlling shareholder of the Company is China CITIC Financial AMC International Holdings Limited (formerly known as China Huarong International Holdings Limited) ("**CFAIH**") that is incorporated in Hong Kong through Camellia Pacific Investment Holding Limited and Right Select International Limited, both of which are incorporated in the British Virgin Islands and wholly-owned subsidiaries of CFAIH. China CITIC Financial Asset Management Co., Ltd. ("**CCFAMC**"), a company established in the People's Republic of China (the "**PRC**") and whose shares are listed on the Stock Exchange, became the ultimate holding company since 2015. Currently, major Shareholders of CCFAMC include the CITIC Group Corporation, Ministry of Finance (the "**MOF**"), China Insurance Rongxin Private Fund Co., Ltd., China Life Insurance (Group) Company, Warburg Pincus and Sino-Ocean Group Holding Limited.

This unaudited interim financial information was approved by the board of directors for issue on 30 August 2024.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with HKAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2023.

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

Going concern basis

As at 30 June 2024, the Group had net current assets of HK$799 million (31 December 2023: net current liabilities of HK$181 million), net liabilities of HK$1,712 million (31 December 2023: net liabilities of HK$1,657 million) and incurred a profit of HK$143 million (2023: loss of HK$458 million) for the six months period ended.

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

(i) Continuous securing of certain bank borrowing

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

(ii) Utilisation of banking facilities

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

(iii) Support from intermediate controlling shareholder

The Group has obtained a letter of support from its intermediate controlling shareholder, CFAIH, who has confirmed its intention to provide sufficient financial support to the Group to enable it to meet its obligations and liabilities as and when they fall due, where the Directors are of the opinion that the financial support from CFAIH will continue to be forthcoming. As at 30 June 2024, CFAIH, directly and indirectly through its subsidiaries, lent an aggregate of HK$9.9 billion to the group in forms of intercompany loans and perpetual securities (31 December 2023: HK$10.5 billion). Depending on the need for working capital, the Group may need to obtain the loans at different times and amounts. There is no intercompany borrowings to be due within the next twelve months from 30 June 2024.

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

In respect of public traded bonds and the listed equity securities in Hong Kong held by the Group, which are classified either as financial assets at fair value through profit or loss or as financial assets at fair value through other comprehensive income in the condensed consolidated statement of financial position as at 30 June 2024, the Directors are of the opinion that the Group would be able to dispose of such investments as and when needed to alleviate the Group's liquidity pressure.

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

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

(vi) Development of licensed business

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

The Directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from 30 June 2024. They are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2024. Accordingly, the Directors are satisfied that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

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

3. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information.

Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "**2020 Amendments**")
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "**2022 Amendments**")[1,4]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*

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

(a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

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

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

4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

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

(a) Operating segments

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

Six months ended 30 June 2024 (unaudited)

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

Six months ended 30 June 2023 (unaudited)

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

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

As at 30 June 2024 (unaudited)

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

As at 31 December 2023 (audited)

	Securities *HK$'000*	Corporate finance *HK$'000*	Asset management and direct investment *HK$'000*	Financial services and others *HK$'000*	Total *HK$'000*
Total segment assets	312,254	17,282	2,537,387	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)

Other segment information for the six months ended 30 June 2024 (unaudited)

	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	**–**	**–**	**(123,700)**	**–**	**(10,339)**	**(134,039)**
Net reversal of impairment of other loans and debt instruments	**–**	**–**	**214,006**	**–**	**–**	**214,006**
Net provision of impairment of accounts receivable and others	**(3)**	**–**	**(1,852)**	**–**	**–**	**(1,855)**
Net reversal of impairment of advances to customers in margin financing	**708**	**–**	**–**	**–**	**–**	**708**
Net provision for impairment of finance lease receivables	**–**	**–**	**–**	**(10,663)**	**–**	**(10,663)**
Net reversal of impairment of financial assets at fair value through other comprehensive income	**–**	**–**	**7,746**	**–**	**–**	**7,746**

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

	Securities	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	–	–	(116,238)	–	(46,609)	(162,847)
Net provision for impairment of other loans and debt instruments	–	–	(59,591)	–	–	(59,591)
Net provision for impairment of advances to customers in margin financing	(9,929)	–	–	–	–	(9,929)
Net provision for impairment of finance lease receivables	–	–	–	(33,278)	–	(33,278)
Net provision for impairment of financial assets at fair value through other comprehensive income	–	–	(30,153)	–	–	(30,153)

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

Note: Non-current assets excluded financial assets.

(c) Information about major customers

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

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

5. REVENUE

The Group's revenue is disaggregated as follows:

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

Note:

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

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

6. FINANCE COSTS

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

7. PROFIT/(LOSS) BEFORE TAX

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

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

8. INCOME TAX

During the six months ended 30 June 2024 and 30 June 2023, no provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the period (2023: 25%).

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

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

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

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss		
Loss for the period attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	**(57,447)**	(658,804)

	Number of shares	
	2024	2023
	(Unaudited)	(Unaudited)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	**8,709,586**	8,709,586

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

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

Notes:

(i) The Group expects to realise the unlisted fund investments of approximately HK$329,656,000 (31 December 2023: HK$323,917,000) within the next twelve months and has accordingly classified them as current assets.

(ii) The coupon rates of these unlisted fixed income securities range from 7% to 8% (31 December 2023: range from 7% to 8%) per annum as at 30 June 2024. The Group expects to realise such unlisted fixed income securities in more than 1 year (31 December 2023: expects to realise such unlisted fixed income securities in more than 1 year).

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

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

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

12. FINANCIAL LEASE RECEIVABLES

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

Movement of ECL:

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

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

13. OTHER LOANS AND DEBT INSTRUMENTS

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

As at 30 June 2024, other loans and debt instruments included loans to independent third parties which are secured and/or backed by guarantees and collaterals, with contractual interest rates ranging from 8% to 25% per annum (31 December 2023: 8.5% to 25% per annum).

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

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

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

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

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

As at 30 June 2024, the gross carrying amount for 12-month ECL, lifetime ECL (not credit-impaired) and lifetime ECL (credit-impaired) were nil (31 December 2023: nil), HK$123,598,000 (31 December 2023: HK$123,058,000) and HK$1,233,746,000 (31 December 2023: HK$1,199,928,000) respectively.

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

Novation loans

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

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

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

Thereafter, subsidiary A of the Company had taken action to restructure certain margin loans and underlying collaterals into certain loans backed by security interest and guarantee (if any) by assigning the debts and other rights and interests to subsidiary of the Company ("**subsidiary B**") through executing agreements with certain margin customers and their guarantors (if any). Subsidiary A has signed deeds of assignment with certain margin customers which were effective on 30 April 2020 and the subsidiary A thereby assigned certain advances to customers in margin financing to subsidiary B. Subsidiary B also signed side deeds during 2020 with subsidiary A that, in consideration for the abovementioned assignment of debts and other rights and interests, subsidiary B shall pay a gross amount of HK$2,447,008,000 at transaction price to subsidiary A for the transfer within 3 years. This balance is unsecured and interest-free.

As at 30 June 2024, there was an increment in the carrying amount of the assigned loans as compared to the position as at the assignment date as a result of decrease of provision for impairment. The assigned loans have gross amount of HK$741,611,000 (31 December 2023: HK$736,987,000) and allowance for expected credit losses of HK$316,934,000 (31 December 2023: HK$560,523,000), resulting in a net balance of HK$424,677,000 (31 December 2023: HK$176,464,000).

14. ADVANCES TO CUSTOMERS IN MARGIN FINANCING

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

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

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

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

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

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

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

As at 30 June 2024, the gross carrying amount for 12-month ECL, lifetime ECL (not credit-impaired) and lifetime ECL (credit-impaired) were HK$852,000 (31 December 2023: HK$11,019,000), nil (31 December 2023: nil) and HK$93,304,000 (31 December 2023: HK$94,083,000) respectively.

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

15. ACCOUNTS RECEIVABLE

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

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

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

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

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

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

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

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

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

The remaining allowance for expected credit losses of accounts receivable is the provision for individually impaired accounts receivable from securities clients of approximately HK$294,000 (31 December 2023: HK$291,000).

16. ACCOUNTS PAYABLE

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

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

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

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

17. DIVIDENDS

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

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

Basic loss per Share was HK0.7 cents for the Period as compared to basic loss per Share of HK7.6 cents for the Last Period, and no diluted loss per Share has been presented for the Period and the Last Period as there was no dilutive financial instruments for the Period and the Last Period.

BUSINESS REVIEW

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

Securities

Securities business segment includes the provision of online and offline brokerage services, custodian services, margin financing and investment advisory services. During the first half of 2024, the Group persisted in compliant business operation and expedited business transformation with a focus on its principal licensed business and continued with its effort in cost reduction, efficiency enhancement, diversification of revenue sources and conservation of resources with more robust marketing and business development effort, against a complicated economic environment and lacklustre market sentiments. In connection with the development of financial technology, a brand new version of the mobile APP "Huarong Caifutong (華融財富通)" has been in smooth operation. In connection with its custodian business, the Group has enhanced business synergy and assisted in the disposal of stock assets in existing projects within the system to increase intermediary income. In connection with the management of existing projects, the Group further improved its risk control measures; at the same time, we enhanced efforts in negotiations and communication with customers to ensure principal and interest repayments as due for existing normal projects.

For the Period, the revenue and other gains or losses from the securities segment was approximately HK$5,050,000 as compared to approximately HK$2,743,000 for the Last Period. Total revenue increased on a year-on-year basis, which was attributable mainly to increase in income from intermediary business and stronger coordinating effect attained by CCFAMC's major business of non-performing assets. As a result of the increase in the revenue and other income and gains for the Period, decrease in impairment of advances to customers in margin financing coupled with the effective implementation of cost reduction and efficiency enhancement to further reduce the operating costs, the segment result generated from the securities segment recorded a profit of approximately HK$2,747,000 for the Period as compared to a loss of approximately HK$11,292,000 for the Last Period.

Asset Management and Direct Investment

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

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

Corporate Finance

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

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

Financial Services and Others

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

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

PROSPECTS

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

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

FINANCIAL REVIEW

Capital Structure

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

Liquidity and Financial Resources

The Group regularly reviews its liquidity position and actively manages liquidity and financial resources according to the changes in economic environment and business development needs. As at 30 June 2024, the Group had total cash and deposits with banks amounting to approximately HK$627,595,000 as compared to approximately HK$1,581,355,000 as at 31 December 2023, excluding client funds that were kept in separate designated bank accounts of approximately HK$95,036,000 (31 December 2023: approximately HK$95,828,000) and deposits in other financial institutions of approximately HK$13,809,000 (31 December 2023: approximately HK$13,527,000). As at 30 June 2024, 43% (31 December 2023: 67%) of the Group's cash and deposits with banks was denominated in HKD or RMB. The Group's gearing ratio as at 30 June 2024 was 150% as compared to 130% as at 31 December 2023, being calculated as borrowings over the Group's total assets. The change in gearing was attributable to a decrease in the Group's total assets in the Period.

The Group has been committed to expanding the financing channel and maintaining an appropriate allocation of repayment schedules and overall fund application to maintain robust financial position. As at 30 June 2024, the Group obtained shareholder loans and perpetual capital bonds from CFAIH in an aggregate principal amount of approximately US$1,269,173,000 (equivalent to approximately HK$9,911,479,000) (31 December 2023: approximately US$1,069,233,000 (equivalent to approximately HK$8,352,179,000)) to support the business of the Group. The proceeds had been applied in full to working capital immediately after closing. The Shareholder loans were subject to interest at fixed annual interest rates ranging from 5.8% to 6.86% (31 December 2023: annual rates of 4.3% to 7.98%) and were repayable within one to five years from the end of the Period (31 December 2023: in one to six years from the end of the year).

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

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

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

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

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

Charges on Group Assets

As at 30 June 2024, the Group had not pledged any time deposits (31 December 2023: nil) to secure the bank loan facilities of the Group.

Foreign Exchange Exposures

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

Contingent Liabilities

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

Significant Investments

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

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

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

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

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

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

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

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

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

Provision for Impairment

(I) Overall provision for impairment

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

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

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

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

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

- advances to customers in margin financing under a margin financing project was converted into other loans and debt instruments through a deed of assignment on 29 June 2020. The collateral under the project mainly consists of shares of a listed company in Hong Kong, the trading of which was suspended in 2023 and subsequently resumed in May 2024. The Group estimated its fair value according to the market prices of the pledged shares as at 30 June 2024, resulting in a reversal of impairment provision of approximately HK$248 million in respect of such project for the Period due to increase in the fair value of the collateral.

- a fixed income project of the Group entered into in 2017 for investment purpose, the main collaterals of which are equity interests of a project company holding shops in Lijiang, the PRC. The project was classified as stage three in mid-2021 due to consecutive overdue situations. In view of that, the management expected low chances to recover interest receivables for the project and made full impairment provision for the interest accrued out of prudence. The provision for impairment made during the Period amounted to approximately HK$30 million.

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

(II) Provision for impairment of publicly issued bonds

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

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

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

(III) Finance lease business and provision for impairment

Impairment provision for finance lease projects

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

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

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

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

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

Principal terms of finance lease projects

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

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

Credit risk assessment and impairment provision for finance lease projects

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

Key internal control measures

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

1. *Daily risk monitoring*

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

2. *Actions taken in respect of overdue projects*

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

3. *Management and decision-making process*

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

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2024, the Group employed a total of 13 employees (31 December 2023: 16 employees). The Group's recruitment and promotion of staff is based on consideration of multiple factors, such as job nature, market rates, relevant experience, individual merits and development potential of the employees, and may also offer discretionary incentives and bonuses by reference to indicators such as market conditions, the Company's business performance, individual staff performance and fulfilment of compliance requirements, among others, with a view to rewarding staff contributions as well as retaining and incentivising employees with superior competence and experience to continue to deliver value for the Group. Other benefits offered by the Group include, but are not limited to, group medical plans and group life insurance, etc.

The Group is committed to providing employees with an environment conducive to ongoing learning and development. The Group arranges both internal and external multi-dimensional training and development plans for staff and offer incentives for off-duty studies to eligible staff to encourage voluntary learning and ongoing self-improvement to address the growing requirements of the Group's operations.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B of the Listing Rules, changes in information of Directors or chief executive of the Company subsequent to the date of the 2023 annual report of the Company are as follows:

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

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

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

CORPORATE GOVERNANCE PRACTICES

During the Period, the Company has adopted and complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. In response to specific enquiry made by the Company, all Directors confirmed that they have fully complied with the required standards as set out in the aforementioned Model Code throughout the Period.

REVIEW OF THE INTERIM FINANCIAL INFORMATION

The audit committee of the Company has reviewed the unaudited interim financial information of the Group for the Period, including the accounting principles and practices adopted by the Group for the Period.

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

PUBLICATION OF INTERIM REPORT

The interim report of the Company will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hrif.com.hk) in September 2024.

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

Hong Kong, 30 August 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 and Mr. Guan Huanfei as independent non-executive Directors.