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)

ANNUAL REPORT 2021

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Xu Xiaowu *(Chairman)*
Mr. Wang Junlai *(Chief Executive Officer)*

Non-executive Director

Ms. Wang Qi

Independent Non-executive Directors

Mr. Hung Ka Hai Clement
Mr. Ma Lishan
Mr. Guan Huanfei
Dr. Lam Lee G.

Audit Committee

Mr. Hung Ka Hai Clement *(Chairman)*
Mr. Ma Lishan
Mr. Guan Huanfei
Dr. Lam Lee G.

Remuneration Committee

Mr. Guan Huanfei *(Chairman)*
Mr. Hung Ka Hai Clement
Mr. Ma Lishan

Nomination Committee

Mr. Hung Ka Hai Clement *(Chairman)*
Mr. Xu Xiaowu
Mr. Ma Lishan
Mr. Guan Huanfei

Executive Committee

Mr. Xu Xiaowu *(Chairman)*
Mr. Wang Junlai

Risk Management Committee

Mr. Ma Lishan *(Chairman)*
Mr. Xu Xiaowu
Mr. Wang Junlai
Ms. Wang Qi
Dr. Lam Lee G.

Sustainable Development Committee

Dr. Lam Lee G. *(Chairman)*
Mr. Wang Junlai
Mr. Guan Huanfei

Authorised Representatives

Mr. Wang Junlai
Ms. Luo Xiao Jing

Company Secretary

Ms. Luo Xiao Jing

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

Unit A, 16/F & Unit A, 17/F
Two Pacific Place
88 Queensway, Hong Kong

Resident Representative

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Bankers

Bank of Communications Co., Ltd.
Hong Kong Branch
Bank of China (Hong Kong) Limited
China CITIC Bank International Limited
Shanghai Pudong Development Bank Co., Ltd.
Hong Kong Branch
Bank of Shanghai (Hong Kong) Limited
Macau Chinese Bank Co., Ltd.
Bank of China Limited
Shenzhen Branch

Auditor

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong
Registered Public Interest Entity Auditor

Hong Kong Legal Adviser

Latham & Watkins LLP
18th Floor
One Exchange Square
8 Connaught Place
Central, Hong Kong

Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited
4th floor North
Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Stock Code

993

Website

www.hrif.com.hk

CHAIRMAN'S STATEMENT

Dear Shareholders,

In 2021, HRIF procured proper business implementation and strengthened its execution ability according to its five-year business development plan in close adherence to the "three principal paths" of risk mitigation through settlement and collection, prudent business development and balance sheet optimisation and reduction, with a special focus on financial indicator optimisation. The Group displayed an overall trend of prudent advances, as it has reported considerable progress in asset leaning, cost reduction and efficiency enhancement, business development and institutional reforms.

Advancing risk settlement and collection and pressure alleviation with full force to lay the foundation for sustainable development. The Group dealt with risk settlement, collection and cash recouping and asset pressure alleviation as matters of top priority, as it straightened out management reporting lines by forming a special risk mitigation task force to undertake the principal responsibility for risk settlement and collection and asset pressure alleviation. Coordination, planning and organisation efforts were made to facilitate committed cooperation among the front desk, intermediary teams and back office, while specific timetables and responsible parties were designated to delegate tasks and procure proper implementation. Throughout the Year, settlement, collection and cash recouping in respect of numerous risk hazard items were achieved, laying a solid foundation for the Group's asset-light sustainable development.

Driving development of our principal licensed businesses with full force as initial results were reported in business transformation. The securities business reported growth in licensed business revenue against market trends as it stepped up with the development of financial technologies and searched for opportunities for profit growth with intensive efforts via its mobile Internet portal APP "華融財富通" as a platform for business promotion. The asset management business implemented a fund-based strategy and expedited the establishment of management funds with proactive efforts along the principal product lines of special opportunities, non-performing assets and high-yield bonds. In the debt financing business, we introduced innovative product models and advanced the institutional customer business with substantial breakthrough in business scale, business innovation and institutional customer base. Our corporate finance business signed the syndicate agreement for its first IPO underwriting deal in the Year, in an active effort to drive the Group's synergetic development and open up a pathway of premium investment banking with Huarong characteristics.

Consistent enhancement of liquidity management to assure sufficiency of funds. We reviewed our liquidity conditions on a regular basis and exercised proactive management of cash flow and financial resources to ensure the sufficiency of funds. We were engaged in active liaison with banks and other financial institutions to explore financing options in a prudent manner for ensuring in liquidity, so as to provide vigorous protection for the Group's business development and sustainability.

Reforming and optimising our management mechanisms and institutions to ensure solid protection for business transformation. Investor relations management and media monitoring efforts were enhanced, as was liaison and engagement with investors, with a view to enhancing investors' understanding and approval of the Company. Comprehensive budget management was launched to direct budget execution through appraisal, the flow of resources through budget execution, and business development through the flow of resources. The total risk management regime was further optimised as we procured optimisation of the total risk management system in various aspects such as risk appetite, business entry thresholds, risk system development, risk analysis, risk monitoring, risk assessment and risk culture. Organisational and human resources reform was also strengthened as the matching of staff and job positions was effectively enhanced with an optimised proportion of front-desk, intermediary and back-office staff allocation facilitated through the provision of position choices in both directions. Meanwhile, we were engaged in active epidemic prevention and control efforts to protect staff safety and enhance care for the people.

Reflecting back on 2021, the results achieved by the Group have been all the more precious in light of adverse conditions posed by the ravaging pandemic and ongoing geopolitical frictions. On behalf of the Board, I would like to express sincere gratitude to our shareholders, customers and business partners who have offered us their trust and support over the years, as well as heartfelt appreciation to all staff members for their hard work and dedication.

Outlook

Year 2022 will be a year of expansion and efficiency enhancement for the Group. During the year, HRIF will further solidify and strengthen its foundation for development and continue to fulfill its development principles, provide specific development directions, focus on its development goals, implement its development strategies and fortify support and protection in its business practices, so as to add and enhance value for the Company in general.

To fulfill our development principles, we will firstly continue to drive the disposal of risk assets with full force to properly deal with the cumbersome historical burden and eliminate any obstacles to the Company's sound and sustainable development. Secondly, we will continue to broaden our financing options in adherence to the bottom-line of ensuring fund security with the aim of achieving cost reduction and efficiency enhancement, in order to lower finance cost and enhance the efficiency of fund utilisation.

To provide specific development directions, we will develop our principal licensed businesses with staunch efforts, emphasising the characteristics of major non-performing assets and monitoring investment in special opportunities as we focus on the domestic market as a corporation established overseas to support the nation's regional strategic development and development of the Greater Bay Area by offering premium cross-border financial services.

To focus on development goals, we will leverage fully on our existing business advantages and make specific efforts to make up for any gaps to realise the initial formation of business teams, products and channels for various licensed businesses and commencement of new businesses. We will also complete the construction of digitalised risk control, finance, information and business systems, while looking to effectively enhance the ability to attain synergies across business segments.

To implement our development strategies, we will firstly follow a pathway of differentiation and synergy. In firm adherence to the approaches of "Investment + Investment Bank" and "Principal Business + Licensed Business", we will highlight our advantage in the licensed business and bring the feature services of the investment bank business into play, empowering the business of non-performing asset disposal with an investment banking mindset through realignment, restructuring and reorganisation exercises to actively pursue synergetic development. Secondly, we will focus on selected sub-segments for diversification to follow a quality-oriented approach emphasising "small but beautiful", in order to grow into a premium investment bank with a leading position in all sub-segments in which we operate.

To fortify support and protection, we will firstly step up with efforts to improve and optimise our management institutions and mechanisms to support the sound development of our licensed businesses on all fronts. Next we will expedite the optimisation and replenishment of human resources to genuinely enhance our human capital and bring its effectiveness into play.

In 2022, we will continue to advance our five-year business development plan with strong confidence, firm positioning and persistence in innovation, in a bid to deliver greater value to our shareholders, customers, community and staff.

Xu Xiaowu
Chairman
28 March 2022

Board of Directors

Executive Directors

Mr. Xu Xiaowu, aged 51, was appointed as an executive Director and the Chairman of the Board of the Company on 4 January 2021. He is also the chairman of the Executive Committee, and a member of the Risk Management Committee and the Nomination Committee. Mr. Xu has extensive experience in corporate governance and enterprise management, audit and supervision and financial management with Hong Kong-listed companies, as well business development and management of financial institutions and investment companies. Mr. Xu has been a director of CHIH, the intermediate controlling shareholder of the Company, since 18 December 2019. Mr. Xu joined HRIV (a wholly-owned subsidiary of the Company after the Privatization of HRIV) in September 2016, and held various positions, including executive director, chief executive officer, chairman of risk management committee, member of remuneration committee and chief supervisor. He resigned as director of HRIV on 29 January 2021. Mr. Xu was a vice president of China Development Bank Financial Leasing Co., Ltd. (formerly known as Shenzhen Financial Leasing Company Limited), a company listed on the Stock Exchange (stock code: 01606) from November 1999 to August 2016. Mr. Xu was also a supervisor of Sanjiu Medical & Pharmaceutical Co., Ltd. (currently known as China Resources Sanjiu Medical & Pharmaceutical Co., Ltd., a company listed on Shenzhen Stock Exchange with stock code: 000999) from 1999 to 2002. Mr. Xu worked at the finance department and was an assistant to the head of the finance department in Shenzhen Southern Pharmaceutical Factory (currently known as China Resources Sanjiu Medical & Pharmaceutical Co., Ltd.) from July 1992 to November 1999. Mr. Xu graduated from Wuhan University, Wuhan, Hubei Province, China in 1992 with a bachelor's degree in Economics, majoring in auditing. Mr. Xu obtained a master's degree in Economics from Xiamen University, Xiamen, Fujian Province, China in 2008, majoring in International Economics, and completed the EMBA course at Cheung Kong Graduate School of Business in Beijing, China in 2009.

Mr. Wang Junlai, aged 51, was appointed as an executive Director and the Chief Executive Officer of the Company on 20 November 2019. He is also a member of the Executive Committee, the Risk Management Committee and the Sustainable Development Committee. He is concurrently a director of the Company's wholly-owned subsidiaries HRIS, Huarong International Asset Management Limited, Huarong International Capital Limited and Huarong International Services Limited, respectively. Mr. Wang has worked in the financial industry for many years and possesses extensive experience in different fields such as banking, assets management, capital market and capital finance. He has been a director of CHIH, the intermediate controlling shareholder of the Company, since 18 December 2019. From August 1995 to April 2000, Mr. Wang worked at the corporate business department and risk management department of the Bank of China, Jiangsu Branch. From April 2000 to May 2008, he served as the manager and senior manager successively in China Orient Asset Management Company ("**Orient Asset Management**"). From May 2008 to May 2011, he served as the investment director in Dong Yin Development (Holdings) Limited, a wholly-owned subsidiary of Orient Asset Management. From May 2011 to September 2016, he acted as the chief financial officer of China Orient Asset Management (International) Holding Limited and successively held the positions of assistant general manager and deputy general manager. From September 2016 to March 2019, Mr. Wang worked as the chief financial officer and managing director in China Securities (International) Finance Holding Company Limited. Mr. Wang holds the professional qualification of the Certified Management Accountant and obtained a bachelor of Economics degree from Nanjing University in July 1995, a master of science in International Banking and Finance degree from the University of Southampton, England in January 2005 and a master of science in Real Estate degree from the University of Hong Kong in November 2011.

Non-executive Directors

Ms. Wang Qi, aged 38, was appointed as a non-executive Director of the Company on 15 June 2020. She is also a member of the Risk Management Committee. She has extensive experience in financial and operation management. She joined the planning and finance department of China Huarong, the ultimate controlling shareholder of the Company, in July 2014. Since March 2017, Ms. Wang has successively served as the deputy general manager and the general manager of the planning and finance department, and has once served during the same period of time as the deputy general manager and the general manager of the operation management department of CHIH, the intermediate controlling shareholder of the Company. Ms. Wang had been a non-executive director of HRIV since 15 June 2020 until her resignation from the post on 29 January 2021. Ms. Wang obtained a master's degree in Management (Accounting) from Zhongnan University of Economics and Law in June 2007. She is also a non-practising member of the Chinese Institute of Certified Public Accountants.

Independent Non-executive Directors

Mr. Hung Ka Hai Clement, aged 66, was appointed as an independent non-executive Director of the Company on 13 December 2019. He is also the chairman of each of the Audit Committee and Nomination Committee as well as a member of the Remuneration Committee. He obtained a bachelor of arts degree from the University of Huddersfield (now known as University of Lincoln), United Kingdom in 1980. Mr. Hung had served Deloitte China for 31 years where he had assumed various leadership roles before serving as chairman of Deloitte China from 2014 to 2016. He retired from Deloitte China with effect from June 2016. While working with Deloitte China, Mr. Hung assumed various leadership roles, including the managing partner of Deloitte Shenzhen office and Guangzhou office. He was also a member of the China management team of Deloitte China. Mr. Hung was head of audit of South China and deputy managing partner of South China (including Hong Kong, Macau, Shenzhen, Guangzhou, Xiamen and Changsha). He was also a board member of Deloitte Global.

Mr. Hung served as the Guangzhou Institute of Certified Public Accountants consultant from 2004 to 2014. During the period between 2006 to 2011, he also served as a member of the Political Consultative Committee of Luohu District, Shenzhen. After his retirement as the chairman of Deloitte China, he was appointed as an expert consultant of the MOF in the PRC. Mr. Hung is a life member of The Institute of Chartered Accountants in England and Wales.

Mr. Hung is serving or has, in the past three years, served as a director of each of the following listed companies whose shares are listed on the Stock Exchange:

- an independent non-executive director of Gome Finance Technology Company Limited (formerly known as Sino Credit Holdings Limited) (HKEx: 628) since 31 October 2016;

- an independent non-executive director of SY Holdings Group Limited (formerly known as Sheng Ye Capital Limited) (HKEx: 6069, the listing of the shares of which has been transferred to the Main Board from the GEM of the Stock Exchange (HKEx: 8469) with effect from 24 October 2019) since 19 June 2017;

- a non-executive director of High Fashion International Limited (HKEx: 608) since 1 December 2017;

- an independent non-executive director of Aoyuan Healthy Life Group Company Limited (HKEx: 3662) since 22 February 2019;

- an independent non-executive director of China East Education Holdings Limited (HKEx: 667) since 25 November 2018;

- an independent non-executive director of Skyworth Group Limited (HKEx: 751) since 18 March 2020;
- an independent non-executive director of Hong Kong Aerospace Technology Group Limited (HKEx: 1725) since 16 July 2021;
- an independent non-executive director of SMI Holdings Group Limited (HKEx: 198), the listing of the shares of which has been canceled with effect from 14 December 2020 from 16 January 2017 to 15 March 2017 and re-designated as a non-executive director of the company on 15 March 2017. He subsequently resigned with effect from 28 February 2019;
- an independent non-executive director of Zhongchang International Holdings Group Limited (formerly known as Henry Group Holdings Limited) (HKEx: 859) from 12 January 2018 to 15 June 2020; and
- an independent non-executive director of Tibet Water Resources Ltd. (HKEx: 1115) from 31 December 2019 to 30 June 2021.

Mr. Ma Lishan, aged 70, was appointed as an independent non-executive Director of the Company on 19 August 2016. He is also the chairman of the Risk Management Committee and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Ma has extensive experience in operation and management of modern large-scale corporations and listed companies. Mr. Ma graduated from Beijing Foreign Studies University in the PRC in 1975. He served in various positions such as chairman, executive director, general manager in certain large-scale joint ventures under China Oil & Foodstuff Corporation. From January 1996 to June 2003, Mr. Ma served as an executive director of China Foods Limited (HKEx: 506). From May 1997 to June 2003, Mr. Ma served as an executive director and the managing director of China Foods Limited. From June 2000 to June 2003, Mr. Ma was appointed as the vice president of China Oil & Foodstuff Corporation. From June 2008 to January 2009, Mr. Ma was an executive director of Sino Resources Group Limited (currently known as Elife Holdings Limited) (HKEx: 223). From 6 March 2008 to 30 December 2021, he was an independent non-executive director of Silver Base Group Holdings Limited (HKEx: 886) and was re-designated as a non-executive director of the company on 30 December 2021. From 2 August 2009 to present, he is an independent non-executive director of Sunac China Holdings Limited (HKEx: 1918). From September 2010 to August 2012, he was also the executive director, chief executive officer and chairman of Hao Tian Resources Group Limited (currently known as Aceso Life Science Group Limited) (HKEx: 474). From 28 June 2016 to present, Mr. Ma is an independent non-executive director of DIT Group Limited (formerly known as China Minsheng DIT Group Limited) (HKEx: 726) and an independent non-executive director of SRE Group Limited (HKEx: 1207) since 31 March 2016.

Mr. Guan Huanfei, aged 64, was appointed as an independent non-executive Director of the Company on 23 May 2017. He is also the chairman of the Remuneration Committee and a member of each of the Audit Committee, the Nomination Committee and the Sustainable Development Committee. Mr. Guan has extensive experiences in the finance and insurance industry in Hong Kong and the PRC. He served various senior managerial positions in the People's Insurance Company of China (Jilin Branch), the business department of Hong Kong and Macao Regional Office of China Insurance Group, Ming An Insurance Company (Hong Kong) Limited and China Pacific Insurance Co., (HK) Ltd. Mr. Guan also held offices at the Bank of Communications, including the deputy chairman of the risk asset management committee, deputy chairman of credit asset management committee, chairman of loan verification committee, deputy general manager of the Bank of Communications Hong Kong Branch, the director of Bank of Communications Trustee Limited, the chairman and chief executive of China BOCOM Insurance Co., Ltd. and an executive director and general manager of BoCommLife Insurance Company Limited. Mr. Guan is also an economic and technical consultant of Jilin Provincial Government.

Mr. Guan is currently an independent non-executive director of China Shandong Hi-Speed Financial Group Limited (HKEx: 412), China Nonferrous Mining Corporation Limited (HKEx: 1258), Sunwah Kingsway Capital Holdings Limited (HKEx: 188) and Shanghai Zendai Property Limited (HKEx: 755). He has been appointed as the independent non-executive director of CMB Wing Lung Insurance Company Limited since 1 December 2017, the chairman emeritus of Culturecom Holdings Limited (HKEx: 343) and the chairman of the board of directors of UCAN.COM Group Limited, a subsidiary of Culturecom Holdings Limited, since July 2013. Mr. Guan was an independent non-executive director of Silver Base Group Holdings Limited (HKEx: 886) from March 2008 to January 2011. He was re-designated as an executive director and appointed as the chief executive officer of Silver Base Group Holdings Limited from January 2011 to December 2012 and has been engaged as a senior consultant since January 2013. From 2 June 2020 to 22 May 2021, Mr. Guan served as an executive director and chairman of the board of directors of Enterprise Development Holdings Limited (HKEx: 1808); an independent non-executive director of HongDa Financial Holding Limited (currently known as China Wood International Holding Co., Limited) (HKEx: 1822) from 22 June 2018 to 15 May 2020 and Solis Holdings Limited (HKEx: 2227) from 23 August 2019 to 30 September 2020. Mr. Guan was a non-executive director of Ping An Securities Group (Holdings) Limited (HKEx: 231) from 1 December 2017 to 21 June 2018; and an executive director of CCT Land Holdings Limited (currently known as GBA Holdings Limited) (HKEx: 261) from May 2015 to September 2017.

Mr. Guan has been a part-time researcher of the Insurance Research Centre of Fudan University since 2004 and has also been appointed as a part-time lecturer of professional degree of the University since 2013. Mr. Guan has been appointed as a visiting professor of Jilin University of Finance and Economics since September 2019. Mr. Guan obtained a doctoral degree in Economics in 2000 from Wuhan University and was a postdoctoral researcher in Theoretical Economics with Fudan University from 2000 to 2002.

Dr. Lam Lee G., aged 62, was appointed as an independent non-executive Director on 1 September 2021. He is also the chairman of the Sustainable Development Committee and a member of the Audit Committee and the Risk Management Committee. Dr. Lam has extensive international experience in corporate management, strategy consulting, corporate governance, direct investment, investment banking and asset management. Dr. Lam is the Chairman of Hong Kong Cyberport, Senior Advisor to Macquarie Group Asia, a member of the Committee on Innovation, Technology and Re-Industrialization, the Governance Committee of the Hong Kong Growth Portfolio, and the Development Bureau Common Spatial Data Advisory Committee of the Hong Kong Special Administrative Region Government, Convenor of the Panel of Advisors on Building Management Disputes of the HKSAR Government Home Affairs Department, a member of the Court of the City University of Hong Kong, the Metropolitan University of Hong Kong Lee Shau Kee School of Business and Administration International Advisory Board, the Tencent Finance Academy (Hong Kong) Advisory Board, Chairman of the United Nations Economic and Social Commission for Asia and the Pacific (UN ESCAP) Sustainable Business Network (ESBN), Vice Chairman of Pacific Basin Economic Council (PBEC), and a member of the Hong Kong Trade Development Council Belt and Road and Greater Bay Area Committee.

Dr. Lam holds a BSc in Sciences and Mathematics, an MSc in systems science and an MBA from the University of Ottawa in Canada, a post-graduate diploma in public administration from Carleton University in Canada, a post-graduate diploma in English and Hong Kong Law and an LLB (Hons) in law from Manchester Metropolitan University in the UK, a LLM in Law from the University of Wolverhampton in the UK, a PCLL in law from the City University of Hong Kong, a Certificate in Professional Accountancy from the Chinese University of Hong Kong SCS, and an MPA and a PhD from the University of Hong Kong. A former member of the Hong Kong Bar, Dr, Lam is a Solicitor of the High Court of Hong Kong, an Accredited Mediator of the Centre for Effective Dispute Resolution (CEDR), a Fellow of Certified Management Accountants (CMA) Australia, the Hong Kong Institute of Arbitrators, the Hong Kong Institute of Directors and the Institute of Corporate Directors Malaysia (ICDM), and an Honorary Fellow of Certified Public Accountants (CPA) Australia, the Hong Kong Institute of Facility Management, and the University of Hong Kong School of Professional and Continuing Education. In 2019, Dr. Lam was awarded by the Hong Kong Government a Bronze Bauhinia Star for serving the public.

Dr. Lam is currently an independent non-executive director of each of CSI Properties Limited (Stock Code: 497), Vongroup Limited (Stock Code: 318), Mei Ah Entertainment Group Limited (Stock Code: 391), Elife Holdings Limited (Stock Code: 223), Haitong Securities Company Limited (Stock Code: 6837, 600837 on the Shanghai Stock Exchange), Hang Pin Living Technology Company Limited (Stock Code: 1682), Kidsland International Holdings Limited (Stock Code: 2122), and Greenland Hong Kong Holdings Limited (Stock code: 337), and a non-executive director of each of Sunwah Kingsway Capital Holdings Limited (Stock Code: 188), China LNG Group Limited (Stock Code: 931), National Arts Entertainment and Culture Group Limited (currently known as National Arts Group Holdings Limited, Stock Code: 8228) and Mingfa Group (International) Company Limited (Stock Code: 846); and Dr. Lam served as a non-executive director of Hong Kong Aerospace Technology Group Limited (formerly known as Eternity Technology Holdings Limited, Stock Code: 1725) from 13 May 2021 to 3 January 2022, and was appointed as the co-chairman of the board on 4 June 2021 and re-designated from a non-executive director to an executive director on 3 January 2022, the shares of all of which are listed on the Stock Exchange. Dr. Lam is also an independent non-executive director of Asia-Pacific Strategic Investments Limited (Stock code: 5RA), Alset International Limited (Stock Code: 40V), Beverly JCG Limited (Stock Code: VFP), and Thomson Medical Group Limited (Stock Code: A50), the shares of all of which are listed on the Singapore Exchange. Dr. Lam is an independent non-executive director of AustChina Holdings Limited (Stock Code: AUH), whose shares are listed on the Australian Securities Exchange and TMC Life Sciences Berhad (Stock Code: 0101), whose shares are listed on the Bursa Malaysia, and a non-executive director of Jade Road Investments Limited (Stock Code: JADE), whose shares are listed on the London Securities Exchange.

In the past three years, Dr. Lam was an independent non-executive director of Aurum Pacific (China) Group Limited (Stock Code: 8148) up to 1 March 2021, HRIV (Stock Code: 2277, privatized on 12 November 2020) up to 31 December 2020, Hsin Chong Group Holdings Limited (Stock Code: 404, the shares of which were delisted on the Stock Exchange in December 2019) up to 27 September 2019, and Glorious Sun Enterprises Limited (Stock Code: 393) up to 31 August 2019, and he was also a non-executive director of Tianda Pharmaceuticals Limited (Stock Code: 455) up to 26 August 2021, China Shandong Hi-Speed Financial Group Limited (Stock Code: 412) up to 14 May 2020 and Green Leader Holdings Group Limited (Stock Code: 0061) up to 22 July 2019 and the shares of all of which are listed on the Stock Exchange. He was an independent non-executive director of each of Sunwah International Limited (Stock Code: SWH, a company listed on the Toronto Stock Exchange) up to 30 June 2021, and Top Global Limited (Stock Code: BHO, a company previously listed on Singapore Exchange and privatized on 17 August 2021) up to 31 August 2021.

Changes in Directors and Information of Directors

During the Year and up to the date of this annual report, changes in Directors of the Company are as follows:

(1) Mr. Yang Rungui resigned as an executive Director and Chairman of the Board on 4 January 2021 for devoting more time to his work at CHIH.

(2) Mr. Xu Xiaowu was appointed as an executive Director and Chairman of the Board on 4 January 2021.

(3) Dr. Lam, Lee G. was appointed as an independent non-executive Director on 1 September 2021.

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 2021 interim report of the Company are as follows:

(1) Mr. Ma Lishan, as an independent non-executive Director, was re-designated from an independent non-executive director to a non-executive director of Silver Base Group Holdings Limited (HKEx: 886) on 30 December 2021.

(2) Dr. Lam, Lee G., an independent non-executive Director, was a non-executive director of Hong Kong Aerospace Technology Group Limited (formerly known as Eternity Technology Holdings Limited, HKEx: 1725) from 13 May 2021 to 3 January 2022, and was appointed as the co-chairman of the board on 4 June 2021 and re-designated from a non-executive director to an executive director on 3 January 2022.

Senior Management

Mr. Zhang Xiaofeng, aged 50, was appointed as the deputy chief executive officer of the Company on 29 June 2021. Mr. Zhang has extensive experience in capital operation, fund management and asset operation. Prior to joining the Company, Mr. Zhang has worked at the international business department and offshore business department of the Industrial and Commercial Bank of China, Shenzhen Branch. Since joining China Huarong Asset Management Corporation (currently known as China Huarong) in February 2000, he has undertaken numerous management duties at the Shenzhen Office and Guangzhou Office; he has also been the deputy general manager of China Huarong Guangdong Branch; head of the preparatory team and chairman of Huarong Guangdong Free Trade Zone Investment and Finance Holdings Co., Ltd.; vice chairman, director and general manager and acting chairman of Huarong Qianhai Wealth Management Co., Ltd.; deputy general manager of China Huarong Shenzhen Branch. Mr. Zhang is currently also a director of each of HRIS and Huarong International Asset Management Limited, the wholly-owned subsidiaries of the Company. Mr. Zhang graduated with a bachelor's degree in Economics from the Department of World Economics of Wuhan University in 1994 and a master's degree in World Economics from Wuhan University in July 2000. He is an economist.

Ms. Wang Yanping, aged 52, was appointed as the assistant chief executive officer and chief risk officer of the Company in January 2021. Ms. Wang has over 28 years' experience in financial management in various industry. She has served in various positions including the assistant chief executive officer and chief risk officer of HRIV and financial controller in various subsidiaries of Guangdong Holdings Limited (廣東粵海控股集團有限公司) and Guangdong Nanyue Group Co. Ltd. (廣東南粵集團有限公司), the vice president and chairman of the board of supervisors of Macau Chinese Bank Co. Ltd. (澳門華人銀行股份有限公司). Ms. Wang is currently a director of certain wholly-owned subsidiaries of the Company. Ms. Wang graduated from the University of International Business and Economics with a bachelor's degree in management, and she is a fellow member of the Association of International Accountants (FAIA) and a senior international finance manager.

Mr. Wang Xuejun, aged 49, was appointed as the Board secretary of the Company on 26 January 2018. Prior to joining the Company, Mr. Wang worked in Daqing Branch of the People's Bank of China, Heilongjiang (黑龍江大慶市人民銀行), Daqing sub-division of CBRC (大慶銀監分局), CBRC Heilongjiang Office (黑龍江銀監局) and Hegang sub-division of CBRC, Heilongjiang (黑龍江鶴崗銀監分局). During his tenure in CBRC Heilongjiang Office (黑龍江銀監局), Mr. Wang served successively as deputy head of publicity department, deputy head of state-owned bank regulatory department (國有銀行監管處), head of Hegang sub-division of CBRC (鶴崗銀監分局) and head of foreign-funded bank regulatory department (外資銀行監管處). Mr. Wang is a director of Excel Vision Development Limited, a wholly-owned subsidiary of the Company. Mr. Wang graduated from New York Institute of Technology with a master's degree in Business Administration and is an economist.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

For the Year, the Group recorded a revenue of approximately HK$486,592,000 (Last Year: approximately HK$841,008,000), net loss on financial assets at fair value through profit or loss of approximately HK$417,698,000 (Last Year: net loss of approximately HK$312,516,000), and net gain arising from disposal of financial assets at fair value through other comprehensive income of approximately HK$2,530,000 (Last Year: net loss of approximately HK$14,184,000). Therefore, total revenue and gains or losses described above decreased to approximately HK$71,424,000 as compared to approximately HK$514,308,000 for Last Year. The Group recorded a loss for the Year of approximately HK$1,602,292,000 as compared to a loss of approximately HK$2,686,240,000 for Last Year. Loss attributable to Shareholders for the Year was approximately HK$1,823,044,000 as compared to that of approximately HK$2,786,174,000 for Last Year. The substantial decrease in net loss for the Year compared to Last Year was mainly attributable to the substantial decrease in provisions for investment in other loans and debt instruments, margin financing advances to customers, finance lease receivables and trade receivables by approximately HK$1.3 billion, while finance cost for the Year also decreased further as compared to Last Year on the back of the Company's effort to enhance the efficiency of fund utilisation.

Basic loss per share was HK20.9 cents for the Year as compared to basic loss per share of HK42.5 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.

Market Review

In 2021, extensive COVID-19 vaccination, the gradual easing up of the economic market coupled with fiscal and monetary policies to address the pandemic by various nations, notably the major economies, have fueled economic recovery to varying extents. According to the latest report of the World Bank, the global economy showed rapid growth at a rate of 5.5% in 2021. Despite the global economic recovery, however, world economic development remained subject to considerable uncertainty and obstacles given escalated challenges presented by the intertwining crises such as COVID-19 variants, inflation and unyielding debt levels.

Against the enormous pressure brought about by domestic as well as international economic conditions, the Chinese economy demonstrated strong resilience and abundant potential to negotiate robust recovery and steady growth. China led the world in economic growth with a year-on-year GDP growth of 8.1% for the year as announced by the National Bureau of Statistics. The nation's prudent macro-economic policy and effective anti-epidemic measures have contributed to its rapid economic growth and rendered support for world economic growth. Hong Kong as an international financial centre continued to embrace potentials for development in the local market on the back of advantages afforded by Guangdong – Hong Kong – Macau Greater Bay Area and further inter-connection with the Mainland financial market, notwithstanding the difficulties and challenges of the recurring COVID-19 outbreak.

Business Review

In 2021, the global economy was subject to the extensive impact of the COVID-19 pandemic, while escalating geopolitical tensions between China and the United States presented uncertainties in the market. Such factors continued to result in an adverse impact on the financial performance of the Group.

As market volatility was aggravated under the ravaging COVID-19 pandemic, the enterprises that the Group had invested in were subject to higher risk of default. As the businesses and valuations of certain companies in the Group's investment portfolio were under pressure, the Group made an impairment provision of approximately HK$885,232,000 for the full year in respect of projects subject to risks. Confronting an extremely challenging external environment, the Group persisted in making progress in prudent operations by advancing the liquidation of items subject to risks for cash collection and asset reduction with full effort, enhancing risk management and control and actively reverting to a focus on its principal business. We seized market opportunities arising in this special period to identify business opportunities and expedited our business transformation and development, leveraging the synergies of our licensed businesses. In the meantime, as a state-owned listed financial holding company, the Group has vigorously undertaken its corporate social responsibility and provided assistance to small and medium enterprises by actively pursuing the reorganisation of problematic enterprises, to the extent permitted by its risk appetite, so that they could steer through the pandemic in a stable manner.

Asset Management and Direct Investment

The asset management and direct investment segment is engaged in the provision of asset management services, investment in stocks, bonds, funds, derivative instruments and other financial products with its own funds and the provision of structured financing. During 2021, the traditional asset management industry continued to face unprecedented challenges as a result of the impact of the COVID-19 pandemic and other factors. The Group actively addressed the austere conditions by strengthening its risk control measures and reducing risk exposures, as it continued to persist in the development of its existing businesses with a risk-proof approach. In the meantime, we were also actively engaged in business development in relation to the principal business of China Huarong Group with a special focus on distressed assets and relief for corporations, while leveraging the build-up and strengths in the non-performing asset business to facilitate development of the asset management business, with key efforts in the establishment of overseas funds for investment in non-performing assets and investment funds for high-yield bond funds in further exploration and diversification of product variety. The Group also enhanced its fundraising ability and overcame manifold difficulties encountered in the transformation process, resulting in effective growth in the size of assets under management and considerable growth in management fee income. Segment revenue was approximately HK$372,787,000 for the Year, versus segment revenue of approximately HK$601,634,000 for Last Year. The net losses on financial assets at fair value through profits or loss increased from approximately HK$275,108,000 for Last Year to approximately HK$417,698,000 for the Year. The segment result recorded a loss of approximately HK$1,276,665,000 due to provision for impairment made for certain investment projects, as compared to loss of approximately HK$2,344,340,000 for Last Year.

Securities

Securities business segment includes the provision of brokerage services, margin financing, structured financing and investment advisory services to achieve mutual benefits and win-win results with customers. In 2021, the Group actively addressed the complicated and austere economic environment and increasingly competitive market by persisting in compliant business operation and optimising its services. Against the backdrop of a lacklustre Hong Kong stock market in 2021, there was a slight decline in our retail business, although significant progress was reported in our effort to develop the institutional business. Moreover, the mobile APP "華融財富通" completed several computational upgrades to further enhance user experience and product diversity, as the Group increased its effort in the development of financial technology. Meanwhile, the Group enhanced risk control over existing projects and facilitated effective reduction of risk exposures and considerable enhancement of asset quality. For the Year, the revenue from the securities segment was approximately HK$36,776,000 as compared to approximately HK$160,766,000 for Last Year due to the fact that certain advances to customers in margin financing were crystalized and converted into other loans and trade receivables for Last Year, and the corresponding interest income and provisions associated with such advances decreased accordingly for the securities business. The segment result amounted to loss of approximately HK$44,093,000 as compared to loss of approximately HK$227,090,000 for Last Year.

Corporate Finance

The US dollar bond of Chinese companies saw roller-coaster price fluctuations in 2021. Year-on-year growth in issue volume and net increment was reported for US dollar bonds issued by Chinese companies for the first half of the year, with the issue volume hitting a record high in January. With a tightened and weakening liquidity chain for the domestic property sector and the rapid hike of US dollar bond interest rate in the second half of the year, the total volume of US dollar bonds issued by Chinese companies declined and the overall performance of investment bonds was better than the high-yield bonds. Nevertheless, the Group actively seized opportunities in the market and advanced its bond underwriting business with multiple approaches, reporting year-on-year growth in results for the Year with growth in issue volume, number of transactions and underwriting fee income compared to the same period last year. The Group entered into debut cooperation with a number of large SOEs, financial institutions, real estate companies and city investment companies. Our institutional business network was further expanded, as business partnerships were established with several premium institutional investors and peers. The Group's influence and ranking in the Hong Kong bond capital market was enhanced. Moreover, the Group was committed to the provision of financial advisory service to institutional clients, offering advice on the terms and structure of their proposed deals and in relation to the Listing Rules and the Codes on Takeovers and Mergers and Shares Repurchases. The Group also made a major effort to establish its presence and build up clientele in Hong Kong IPO exercises in the biopharmaceutical, property management and financial technology sectors, as it started to develop and establish business partnerships with a number of central enterprises, financial institutions, property companies, family-run offices and fund companies with a view to expanding its equity capital market business on multiple fronts. For the Year, revenue from the corporate finance segment amounted to approximately HK$4,387,000 as compared to revenue of approximately HK$511,000 for Last Year. The segment result for the Year was loss of approximately HK$8,408,000 as compared to loss of approximately HK$152,000 for Last Year. The increase in segment loss was mainly attributable to the increase in expense incurred by the corporate finance segment.

Financial Services and Others

Financial services and others includes provision of finance lease services, business consulting services and other related services in Mainland of China. It is focusing on providing services to the basic industries which conform to the PRC's industrial policy and economic development trend, by way of introducing financial leasing to those industries, including the logistics, automobile, aviation, solar energy and wind power generation and liquified natural gas sectors, to obtain constant and stable rental income. In addition, based on the Group's domestic and overseas business network and the experience of investing in various industries, the Group also provided consulting services on macro-economy, industry analysis, financial product design and other aspects for customers.

During the Year, the segment revenue was approximately HK$72,642,000 (Last Year: HK$78,097,000). The segment loss decreased to approximately HK$83,276,000 (Last Year: segment loss of approximately HK$88,964,000).

Prospects

According to the Global Economic Prospects published by the World Bank, global economic growth is going into a phase of notable deceleration following the strong rebound in 2021 owing to the new threats posed by COVID-19 variants, as well as aggravating inflation, debt and income disparity. Global growth in 2022 is projected for a slowdown to 4.1% amidst continued COVID-19 outbreaks, diminished fiscal support and lingering supply bottlenecks. Against a complicated and austere economic backdrop, China will also face the threefold pressure of shrinking demand, impact on supply and weakened expectations. Nevertheless, the fundamental prospect of long-term positive economic growth and the favourable conditions for forging a new profile for development have remained unchanged, while new economic growth niches will continue to emerge, as the country strives to steer steady progress in sustained, healthy economic development.

In early 2022, Hong Kong suffered from a serious outbreak of Omicron, a variant of the COVID-19 virus, bringing increasing financial pressure and enormous challenges to market conditions. The overall performance of Hong Kong will be dependent on the development of the COVID-19 epidemic and various epidemic prevention and control measures. The Group will actively address the complicated conditions and manifold pressures in the external as well as internal markets by persisting in compliant business operation and enhancing its risk control measures, as it focuses on the principal business on "major non-performing assets" on the back of strengths afforded by the synergy of licensed businesses. We will adopt multiple measures to explore new profit sources and procure cost reduction, building our operations on risk mitigation through liquidation and cash collection as well as new investments with a special focus on transformation through driving existing businesses with new ones, M&A and reorganisation and licensed business. In connection with asset management and direct investment, we will pivot on the principal business of China Huarong in a resolute manner with a focus on distressed assets and relief for corporations, while also leveraging the build-up and strengths in the non-performing asset business to facilitate development of the asset management business, with key efforts in the establishment of overseas funds for investment in non-performing assets and investment funds for high-yield bond funds in further exploration and diversification of product variety. The Group will also enhance its fundraising ability and overcome the manifold difficulties encountered in the transformation process to seek effective growth in the size of assets under management. For the securities business, in view of the recent escalating epidemic situation and the resulting disruption of the normal work patterns, the Company has implemented flexible work arrangements to take care of staff health and safety, while ensuring uninterrupted business operation and support for clients through a combination of on-site and remote office operation, the Group will continue to step up with its market expansion effort and pursue breakthrough progress in securities trading service, margin financing, structured financing and investment advisory services to achieve mutual benefits and win-win results with customers. In corporate finance, the Group will further develop our business in the bond capital market to increase its influence in Hong Kong's bond market capital. Meanwhile, we will also continue to expand our institutional business network to provide financial advisory services for institutional clients, while making a major effort to establish our presence and build up clientele in Hong Kong IPO exercises in the biopharmaceutical, property management and financial technology sectors, with a view to expanding our equity capital market business on multiple fronts.

Year 2022 marks the second year of the Group's comprehensive implementation of its Five-Year Development Plan 2021–2025 (the "**Five-Year Development Plan**"). The Group will continue to improve on the basis of developments achieved in the first year and exercise solid control over operating risks, procuring business transformation with a focus on the principal business on "major non-performing assets" on the back of strengths afforded by the synergy of licensed businesses. We will also leverage the advantage of Hong Kong as an international financial centre and the synergy afforded by the Guangdong – Hong Kong – Macau Greater Bay Area to enhance professional financial services relating to investment opportunities in cross-border non-performing companies, in order to seek prudent progress, achieve cost reduction and efficiency enhancement in an effort to add value for Shareholders.

Financial Review

Capital Structure

As at 31 December 2021, the total number of issued shares of the Company (with par value of HK$0.001 each) was 8,709,586,011. Total shareholders' equity was approximately HK$-495,994,000, a decrease by approximately 136% as compared to approximately HK$1,381,176,000 as at 31 December 2020.

Liquidity and Financial Resources

The Group reviews its liquidity position regularly and manages liquidity and financial resources actively according to the changes in economic environment and business development needs. As at 31 December 2021, the Group had total cash and cash equivalents amounting to approximately HK$1,852,784,000 as compared to approximately HK$1,720,306,000 as at 31 December 2020, excluding client funds that were kept in separate designated bank accounts of approximately HK$215,590,000 (31 December 2020: approximately HK$380,295,000), nil pledged bank deposit (31 December 2020: HK$13,000,000) and deposits in other financial institutions of HK$14,457,000 (31 December 2020: HK$16,921,000). As at 31 December 2021, 56% (31 December 2020: 70%) of the Group's cash and cash equivalents was denominated in HK$ or RMB. The Group's gearing ratio as at 31 December 2021 was -1696.33% as compared to 772.26% as at 31 December 2020, being calculated as borrowings over the Group's shareholders' equity. The increase in gearing ratio was attributable to a decrease in the Group's shareholders' equity 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 2021, the Group obtained shareholder loans from CHIH in an aggregate principal amount of approximately US$605,115,000 (equivalent to approximately HK$4,718,726,000) (31 December 2020: approximately US$605,115,000 (equivalent to approximately HK$4,691,214,000)) to support the business of the Group. Such loans were subject to interest at a fixed annual interest rate of 4.3% to 7.98% (31 December 2020: annual rate of 4.3% to 7.98%) and repayable in five months and within eight years (31 December 2020: one to nine years) from the end of the Year. Subsequent to the end of the Year, CHIH extended the due date of an intra-company loan with a total balance of HK$887,097,000 owed by the Group. Following the extension, there was no intra-company loans which would fall due within 12 months from 31 December 2022.

The Group had loans denominated in USD of US$260,940,000 (equivalent to approximately HK$2,034,825,000) from Right Select International Limited (31 December 2020: the Group had loans of US$260,940,000 (equivalent to approximately HK$2,022,962,000)). The Group also had a RMB loan of RMB50,000,000 (equivalent to approximately HK$61,155,000) from a fellow subsidiary (31 December 2020: RMB loan of RMB499,400,000 (equivalent to approximately HK$593,365,000)).

As at 31 December 2021, the Group had utilised bank credit facilities of approximately HK$1,599,000,000 (31 December 2020: approximately HK$3,358,758,000), all subject to floating interest rates (31 December 2020: HK$247,301,000 subject to interest at fixed annual interest rates ranging from 3.9% to 6.1% and HK$3,111,457,000 subject to floating interest rates).

As at 31 December 2021, the Group had undrawn bank facilities of approximately HK$1,332,923,000 (31 December 2020: approximately HK$1,629,012,000), providing the Group with additional liquidity as and when required.

As at 31 December 2021, the Group was unable to comply with a financial covenant under banking facilities in relation to a loan amount of HK$624 million. As of the date of publication of this annual report, the Group has obtained a waiver from the bank, and such bank is still providing normal banking facilities to the Group and has not requested early repayment of borrowings. As such, the Company does not expect any material adverse impact of the aforesaid events on the Group's financial performance and operations.

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

For the subsidiaries licensed by the Securities and Futures Commission of Hong Kong, the Group ensures each of the subsidiaries maintains a liquidity level adequate to support the level of regulated activities with a sufficient buffer to accommodate increases in liquidity requirements arising from potential increases in the level of business activities. During the 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 2021, no assets of the Group were pledged to secure the Group's bank loans (31 December 2020: finance lease receivables with a gross carrying amount of RMB321,523,000 (equivalent to HK$382,020,000) and time deposit of HK$13,000,000 were pledged as security for borrowing).

Foreign Exchange Exposure

The Group's principal operations in Hong Kong and overseas are transacted and recorded in Hong Kong dollars and United States dollars, while principal operations in the PRC are transacted and recorded in Renminbi. The Group is not exposed to material foreign exchange risks because Hong Kong dollars are pegged to United States dollars. 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

Regarding the alleged claims against HRIS that was previously disclosed, the plaintiff and HRIS reached a settlement in respect with such proceeding and the consent order made by the Court of First Instance of the High Court of the Hong Kong Special Administrative Region became effective on 9 March 2020.

The Group had no material contingent liabilities at 31 December 2021 and 31 December 2020.

Significant Securities Investment

The Group is primarily engaged in the provision of financial services, including but not limited to asset management and direct investment, securities and corporate finance services. During the Year, the Group held securities investments such as listed preference shares, listed equity investments, listed bonds, unlisted convertible bonds and convertible notes, as well as unlisted fund investments. As at 31 December 2021, the Group did not hold any significant investments which constitute 5% or more of its total assets.

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$885,232,000 for 2021, which was mainly attributable to the following:

- Under a margin project of the Group, advances to a customer in margin financing was converted into other loans and debt instruments through a deed of assignment on 27 October 2020. The collateral under the project consisted of shares of a listed company in Hong Kong, which was ordered to enter liquidation by the High Court of Hong Kong in May 2021 and whose shares have been suspended from trading since the same date. According to publicly available information, the said listed company was in a net debt position and, taking into account its liquidation procedure in progress, was not likely to resume normal operation in the future. The collaterals under this project basically do not carry any value and a provision for impairment of HK$141 million in respect of such project for the Year was made.

- Under a margin project of the Group, advances to a customer in margin financing was converted into other loans and debt instruments through a deed of assignment on 29 June 2020. The collateral under the project consisted mainly of shares of a listed company in Hong Kong. During the year, there was a continuous, substantial decline in the market price of such shares owing to the impact of the COVID-19 pandemic, external political and economic factors and the listed company's internal operational and debt issues. As a result, a provision for impairment of HK$336 million was made in respect of such project for the Year by reference to the fair value of the collaterals.

- An impairment provision of HK$186.73 million was made in respect of the Group's financial assets at fair value through other comprehensive income, owing mainly to the classification of certain real estate sector bonds as stage three following their default. The management recognized total impairment loss of approximately HK$187 million for the Year based on assessment of the credit standing and default loss rate of the issuers of such bonds.

- A margin financing advance project of the Group was secured by collaterals including shares of a listed company in Hong Kong and 60% equity interests in a non-listed company in Mainland China. Trading in the shares of the Hong Kong-listed company has been suspended since September 2020 owing to the delay in the publication of its 2019 annual results and 2020 interim results and such listed company is subject to petition for liquidation. The non-listed company in Mainland China has halted operation owing to the pandemic and has not been able to furnish its company management statements. The collaterals under this project basically do not carry any value and a further provision for impairment of HK$34 million was made for the Year.

- The original collateral of a fixed-income project of the Group consisted of the controlling interests in a listed company in Hong Kong. The receiver appointed by the Group disposed of the collateral in 2021 for repayment of default loans extended by the Group. However, the price for the disposal of the collateral fell short of the full amount of the outstanding loan. Meanwhile, the debtor of the loan was operating in the aviation business which was the hardest-hit sector under the COVID-19 pandemic and such debtor was in a persistent loss position and subject to a substantial amount of default debt. In view of such factors, a full provision for impairment of HK$47 million was made for the Year in respect of the difference between the selling price of the collateral and the outstanding loans.

- A loan project of the Group was classified to stage three in mid-2021 after being overdue for a prolonged period. The interest accrued on such loan was fully impaired for prudence purposes. Mainly due to such classification, a total provision for impairment of HK$51 million was made in respect to such loan for the Year.

- The debtor of two fixed income projects of the Group was a former listed company in Hong Kong and the projects were mainly guaranteed by the effective controller of such listed company. Such listed company was ordered to enter liquidation by the High Court of Hong Kong and was delisted in February 2021, while its effective controller has also been declared bankrupt. Currently, the liquidation of such listed company is proceeding slowly owing to the pandemic, and the management made a further provision for impairment of HK$40 million for the Year based on estimations arrived at according to Moody's weighted average default loss rate for subordinate bonds for prudence purposes.

- A provision for impairment of approximately HK$72 million for the Year was made in respect of nine finance leasing projects of the Group which were classified as stage three under the credit impairment model, based on the analysis of and estimate on the realisable values of the leased items and collaterals.

- The creditors' rights assets of a fixed-income project of the Group was disposed of by way of listing-for-sales on domestic stock exchange in late 2020. During the Year, the Group received in full the assignment consideration of RMB680 million. Therefore, an impairment provision amount of HK$243 million was reversed during the Year.

The Group will assess the expected credit risk and impairment of financial assets at amortized 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.

Significant Events during the Year

(1) In late October 2021, in light of the continuous depressed share price of Sunshine 100 China Holdings Ltd ("**Sunshine 100**") (HKEx: 2608) and unfavourable market conditions related to real estate industry in the PRC, Beyond Steady Limited (a wholly owned subsidiary of the Company, the "**Grantee**") proposed to exercise the Put Option (as defined below) according to the terms of the put option deed dated 5 September 2018 (the "**Put Option Deed**") and the supplemental deed to the Put Option Deed dated 17 December 2020 entered into by Joywise Holdings Limited (the "**Grantor**"), the Grantee and Yi Xiaodi (the "**Guarantor**") to protect its interest. The Company has obtained a written shareholders' approval from Camellia Pacific Investment Holding Limited (directly holding 21.01% equity interest in the Company) and Right Select International Limited (directly holding 29.98% equity interest in the Company), in lieu of the convening of a general meeting of the Company, for the approval of the exercise of Put Option and transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules. On 3 December 2021, the Grantee has exercised the put option (the "**Put Option**") by serving a default notice on the Grantor and Guarantor to require the Grantor to purchase 235,055,000 shares in Sunshine 100 (the "**Put Option Shares**") at the price of HK$955,267,062 (the "**Default Put Option Price**"). For details, please refer to the circular of the Company dated 3 December 2021. As of the date of this annual report, the Grantee has not received any payment of the Default Put Option Price from the Grantor or the Guarantor. As a result, completion of the sale and purchase of the Put Option Shares is delayed. Without prejudice to the Company's rights, including those under the Put Option, the Company is currently in negotiation with the Grantor and the Guarantor in relation to (among others) the settlement of the Default Put Option Price and any alternative proposals.

(2) In relation to a significant event during the year disclosed in the 2020 Annual Report of the Group, namely, the disposal of Creditors' Rights Assets (as defined in the Group's 2020 Annual Report, including primary creditor's rights and guarantee rights) by Huarong Shengyuan (Beijing) Investment Co. Ltd., a wholly-owned subsidiary of the Company, to Zhongwei Group (Qingdao) Co., Ltd. in late 2020 by way of listing-for-sales on a domestic stock exchange at an assignment consideration of RMB680 million, the Group received in full the aforesaid assignment consideration during the Year. Accordingly, the Group reversed an impairment provision amount of HK$243 million for the Year.

Employee and Remuneration Policy

As at 31 December 2021, the Group employed a total of 65 employees (31 December 2020: 79 employees). The Group's recruitment and promotion of staff is based on consideration of multiple factors, such as job nature, market rates, relevant experience of the employees, individual merits and development potential, 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, voluntary employer contributions to the mandatory provident fund and group medical plans, 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.

The Directors present their report and the audited consolidated financial statements of the Group for the Year.

Principal Activities

The principal activity of the Company is investment holding. Details of principal activities of the principal subsidiaries of the Company are set out in note 1 to the consolidated financial statements. During the Year and up to the date of this annual report, the Group operated its businesses by utilising its licences (Types 1, 2, 4, 6 and 9 licences) issued under the SFO. There were no significant changes in the nature of the Group's principal activities during the Year.

Results

The Group's results for the Year and the financial position of the Group as at 31 December 2021 are set out on pages 123 to 259 of the consolidated financial statements.

Dividends

The Board does not recommend the payment of a final dividend for the Year (2020: nil).

Business Review

The business review of the Group for the Year is set out in the section headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 4 to 6 and pages 16 to 26 respectively of this annual report, and the discussion contained therein forms part of the Report of the Directors.

Summary Financial Information

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial periods, as extracted from the published audited consolidated financial statements and reclassified as appropriate, is set out on pages 260 to 261 of this annual report. The summary does not form part of the audited consolidated financial statements.

Property, Plant and Equipment

Details of the movements in the property, plant and equipment of the Group during the Year are set out in note 13 to the consolidated financial statements.

Share Capital

Details of the movements in the Company's share capital during the Year are set out in note 35 to the consolidated financial statements. During the Year, the Company did not issue any new Shares.

Perpetual Capital Securities Classified as Equity Instruments

Details of the movements in the Company's perpetual capital securities classified as equity instruments during the Year are set out in note 37 to the consolidated financial statements. The perpetual capital securities are classified as equity instruments, as the instruments have not expired and the payments of distribution can be permanently deferred at the discretion of the Company.

Debentures in Issue

Neither the Company nor any of its subsidiaries issued any debentures during the Year.

Equity-linked Agreements

During the Year, the Company did not enter into any equity-linked agreement and there was no equity-linked agreement.

Share Option Scheme

The Company adopted a share option scheme on 9 September 2011 (the "**Share Option Scheme**"). Pursuant to the Share Option Scheme, the Directors, at their discretion, may grant options to the eligible participants, including but not limited to Directors, employees (whether full time or part-time) of the Company or a subsidiary and/or any entity in which any member of the Group holds any equity interest or classes of suppliers, customers, any shareholder of any member of the Group and any other group or classes of participants from time to time determined by the Directors as having contributed or may contribute to the development and growth of the Group. No share options were outstanding nor granted during the Year. The Share Option Scheme has expired on 8 September 2021.

Details of the share option scheme of the Company are set out in note 36 to the consolidated financial statements.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Bye-laws or the laws of Bermuda which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Reserves

Details of the movements in the reserves of the Company and of the Group during the Year are set out on page 128 of the consolidated statement of changes in equity.

Distributable Reserves

As at 31 December 2021, the Company has no reserves available for distribution (31 December 2020: Nil) in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended).

Tax Relief and Exemption

The Company is not aware that holders of securities of the Company are entitled to any tax relief or exemption by reason of their holding of such securities.

Charitable Donations

During the Year, the Group has made charitable donations amounting to nil.

Major Customers and Suppliers

During the Year, the aggregate amount of turnover (including revenue, net gains on financial assets at fair value through profit or loss and gain on disposal of available-for-sale investments) attributable to the Group's five largest customers represented approximately 32.5% of the Group's total turnover and turnover attributable to the largest customer included therein represented approximately 11% of the Group's total turnover during the Year. None of the Directors or any of their close associates or any Shareholder (who, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Group's largest customers. As the Group is engaged in the provision of financial services, the Directors are of the view that it is of no value to disclose details of the Group's major suppliers.

Principal Risks and Uncertainties

The Group's business is concentrated in Mainland China and Hong Kong, and its business operations mainly depend on the economic and market environment in the PRC and Hong Kong. The principal risks and uncertainties faced by the Group include but not limited to (i) credit risks that may arise from rating downgrades and possible default of the Group's business counterparties, including but not limited to borrowers, securities customers and bond issuers; (ii) market risks that may arise from changes in the price of assets invested by the Group due to volatility of interest rate, currency, stock prices; and (iii) legal and compliance risks that may arise when the Group is not able to comply with changes in laws, regulations and rules of regulatory authorities that are applicable to it and its business in a timely manner due to the Group's expansion and development of its business.

The Group monitors, assesses and coordinates the management of the credit and market risks through the risk management department which is independent from the business department, and the relevant monitoring feedback will be reported to relevant business teams of the Group in a timely manner, and the risk assessment of the Group's overall business is also reported to the management of the Group on a regular basis. After receiving risk warning from the risk management department, the relevant business teams will prepare credit and market risk mitigation plans. Upon obtaining the relevant advices and recommendations from the legal and compliance department and the risk management department in relation to such risk mitigation plans, such plans will be submitted to the management of the Group for discussion and approval. While the relevant business teams are in charge of implementing risk mitigation plans, the risk management department cooperates closely with the business teams and monitors the implementation of risk mitigation plans and makes valuable recommendations.

The Group's legal and compliance department keeps track of the development of applicable laws, regulations and rules, and establishes, improves and implements compliance policies for the Group as well as provides compliance advice for the management of the Group and the relevant business teams. The Group has also engaged external advisors to provide professional advice regarding development of laws, regulations and rules applicable to the Group and its business.

Environmental Policies

The Board and the management of the Company is committed to better protecting the environment by encouraging its employees to reduce consumption of electricity and paper, reduce waste, and use environmental friendly products whenever possible. As a socially responsible corporation, the Group has endeavored to strictly comply with laws and regulations regarding environmental protection during the Year. Details of the policies are set out in the Environmental, Social and Governance Report on pages 69 to 112 of this annual report.

Compliance with Laws and Regulations

The Group's legal and compliance department establishes and implements compliance policies for the Group as well as provide compliance advice for the management of the Group and the relevant business teams. Steps have been taken to ensure that each potential business transaction engaged by the relevant business teams is in compliance with applicable laws, regulations and rules, including but not limited to the SFO, the Listing Rules, anti-money laundering laws, and the Foreign Account Tax Compliance Act. The Group has also engaged external advisors to provide advices regarding development of laws, regulations and rules applicable to the Group and its business.

During the Year, as far as the Board and management are aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the businesses and operations of the Group.

Relationship with Employees

The Group recognises the unique position and value of its employees. Apart from market competitive remuneration, the Group also provides positive working environment and organises leisure activities to build up strong connection with the employees. The Group also provides our staff with different trainings, including internal training and seminars provided by professional organisations in order to enhance our staffs' career progression. During the Year, in view of the development of the COVID-19 pandemic, the Group also took various prevention measures and adopted a flexible working policy (including the arrangement for our employees to work from home by turns), so as to ensure normal business operation while attending to the family and personal health and safety of our employees. Details of the policies in relation to employment are set out in the Environmental, Social and Governance Report on pages 69 to 112 of this annual report.

Relationship with Customers

The Group is committed to providing excellent services to its customers, with a view to maintaining steady business and asset growth as well as long term profitability.

Directors

The Directors who held office during the Year and up to the date of this annual report are:

Executive Directors:

Mr. Xu Xiaowu *(Chairman)* (appointed on 4 January 2021)
Mr. Yang Rungui *(Chairman)* (resigned on 4 January 2021)
Mr. Wang Junlai *(Chief Executive Officer)*

Non-executive Director:

Ms. Wang Qi

Independent Non-executive Directors:

Mr. Hung Ka Hai Clement
Mr. Ma Lishan
Mr. Guan Huanfei
Dr. Lam Lee G. (appointed on 1 September 2021)

Please refer to pages 7 to 15 of this annual report for the biographical details of the Directors and senior management of the Company, including their senior management positions held (if any) at the controlling Shareholders of the Company.

All Directors are appointed for a specific term and are subject to retirement and re-election at the first general meeting of the Company after their appointment, and thereafter subject to retirement by rotation and re-election at the subsequent AGM in accordance with the Bye-laws.

Indemnity Provision

Pursuant to the Bye-laws, every Director shall be entitled to be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto, provided that the indemnity shall not extend to any matter in respect of any willful negligence, willful defaults, fraud or dishonesty which may attach to the said persons. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group during the Year and up to the date of this annual report.

Directors' Service Contracts

Each of the Directors has entered into an appointment letter with the Company and was appointed for a specific term, any of which is not more than three years.

All of the Directors are subject to retirement by rotation at least once every three years in accordance with the Bye-laws. There is no service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than normal statutory compensation) in respect of any Director proposed for re-election at the forthcoming AGM.

Directors' Interests in Transactions, Arrangements or Contracts of Significance

Save as disclosed in note 8 to the consolidated financial statements, no transactions, arrangements or contract of significance (as defined in Appendix 16 to the Listing Rules), in which a Director or an entity connected with a Director is or was interested, directly or indirectly, subsisted during or at the end of the Year.

Directors' Interests in Competing Business

During the Year, save as disclosed in this annual report, none of the Directors (excluding the independent non-executive Directors) had any competing interests in any business that constitutes or may constitute direct or indirect competition with the Group's businesses.

Directors' Rights to Acquire Shares or Debentures

At no time during the Year was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors and chief executives of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or its associated corporations or any other body corporate.

Emoluments of Directors and Senior Management

The emoluments of our Directors and senior management personnel are paid in the form of fees, salaries, allowances and benefits in kind, discretionary bonuses and retirement benefits. The details of the remuneration of the Directors and chief executive of the Company are set out in note 8 to the consolidated financial statements.

The emoluments paid to our Directors and senior management personnel are determined by such factors as his/her duties and responsibilities, the Company's performance and the prevailing market conditions and trends. During the Year, the emoluments of the senior management personnel of the Company (other than Directors) are set out as below:

Remuneration (HK$)	Number
500,000 – 1,000,000	3

The details of the emoluments of our Directors and the top five highest paid individuals of the Company are set out in the notes 8 and 9 to the consolidated financial statements, respectively.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2021, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests

As at 31 December 2021, so far as was known to the Directors and chief executive of the Company, the following persons or corporations (other than a Director or the chief executive of the Company) who had interests or short positions in the Shares and underlying Shares of the Company which would be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholder	Capacity/ Nature of interest	Number of Shares held	Approximate percentage of the issued share capital of the Company as at 31 December 2021
China Huarong (Note 1)	Interests in controlled corporation	4,441,556,104 (L)	51.00%
China Huarong (Notes 2 to 3)	Interests in controlled corporation (security interest)	2,144,097,429 (L)	24.62%
CHIH (Notes 1 and 3)	Interests in controlled corporation	4,441,556,104 (L)	51.00%
	Interests in controlled corporation (security interest)	135,000,000 (L)	1.55%
Right Select (Note 1)	Beneficial owner	2,611,438,440 (L)	29.98%
Camellia Pacific (Note 1)	Beneficial owner	1,830,117,664 (L)	21.01%
Shinning Rhythm Limited (Note 2)	Security interest	2,009,097,429 (L)	23.07%
China Huarong Overseas Investment Holdings Co., Limited (Note 2)	Interests in controlled corporation (security interest)	2,009,097,429 (L)	23.07%
Huarong Huaqiao Asset Management Co., Ltd. (Note 2)	Interests in controlled corporation (security interest)	2,009,097,429 (L)	23.07%

Name of Shareholder	Capacity/ Nature of interest	Number of Shares held	Approximate percentage of the issued share capital of the Company as at 31 December 2021
Huarong Zhiyuan Investment & Management Co., Ltd. ("**Huarong Zhiyuan**") (Note 2)	Interests in controlled corporation	2,009,097,429 (L)	23.07%
Hero Link Enterprises Limited (Note 4)	Beneficial owner	129,000,000 (L)	1.48%
China Tian Yuan International Finance Limited (Note 4)	Beneficial owner	646,220,529 (L)	7.42%
	Interests in controlled corporation	129,000,000 (L)	1.48%
China Tian Yuan Finance Group (Holdings) Limited (Note 4)	Interests in controlled corporation	775,220,529 (L)	8.90%
Ningxia Tianyuan Manganese Industry Group Co., Ltd. (Note 5)	Interests in controlled corporation	996,517,500 (L)	11.44%
Tian Yuan Manganese Limited (Note 5)	Interests in controlled corporation	996,517,500 (L)	11.44%
China Tian Yuan Manganese Finance (Holdings) Limited (Note 5)	Interests in controlled corporation	996,517,500 (L)	11.44%
China Tian Yuan Asset Management Limited ("**Tian Yuan Asset Management**") (Note 5)	Beneficial owner	996,517,500 (L)	11.44%
Mr. Jia Tianjiang (Notes 4 and 5)	Interests in controlled corporation	1,771,738,029 (L)	20.34%
Ms. Dong Jufeng (Notes 4 and 5)	Interests of spouse	1,771,738,029 (L)	20.34%

(L) long position

Notes:

(1) 1,830,117,664 Shares are beneficially owned by Camellia Pacific and 2,611,438,440 Shares are beneficially owned by Right Select. Both Camellia Pacific and Right Select are wholly owned by CHIH. CHIH is owned as to 84.84% by China Huarong and 15.16% by Huarong Zhiyuan. Huarong Zhiyuan is wholly owned by China Huarong. China Huarong is beneficially owned as to 57.02% by the MOF of the PRC Government and is deemed to be owned as to 4.39% by the MOF of the PRC Government through controlled corporation. Therefore, each of China Huarong and CHIH is deemed or taken to be interested in all the Shares beneficially owned by Camellia Pacific and Right Select by virtue of the SFO.

(2) 129,000,000 Shares held by Hero Link Enterprises Limited, 646,220,529 Shares held by China Tian Yuan International Finance Limited and 996,517,500 Shares held by China Tian Yuan Asset Management Limited are pledged to Shinning Rhythm Limited, while 237,359,400 Shares held by Power Tiger Investments Limited are pledged to Tian Yuan Investment Holding Co., Limited which in turn has assigned such security interest to Shinning Rhythm Limited. Shinning Rhythm Limited is a wholly-owned subsidiary of China Huarong Overseas Investment Holdings Co., Limited, which is in turn a wholly-owned subsidiary of Huarong Huaqiao Asset Management Co., Ltd. Huarong Huaqiao Asset Management Co., Ltd. is owned as to 91% by Huarong Zhiyuan. Huarong Zhiyuan is a wholly-owned subsidiary of China Huarong. Accordingly, each of China Huarong Overseas Investment Holdings Co., Limited, Huarong Huaqiao Asset Management Co., Ltd., Huarong Zhiyuan and China Huarong is deemed to be interested in the security interest in the 2,009,097,429 underlying Shares held by Shinning Rhythm Limited by virtue of the SFO.

(3) Fresh Idea Ventures Limited holds direct security interest in 135,000,000 underlying Shares and is a wholly-owned subsidiary of Linewear Assets Limited. Linewear Assets Limited is a wholly-owned subsidiary of the Company, which in turn is owned as to 51% collectively by Camellia Pacific and Right Select. Accordingly, each of CHIH and China Huarong is deemed to be interested in the security interest in the 135,000,000 underlying Shares held by Fresh Idea Ventures Limited by virtue of the SFO.

(4) China Tian Yuan Finance Group (Holdings) Limited is deemed or taken to be interested in (i) 129,000,000 Shares held by Hero Link Enterprises Limited which is held as to 82% by China Tian Yuan International Finance Limited; and (ii) 646,220,529 Shares held by China Tian Yuan International Finance Limited. China Tian Yuan International Finance Limited is a wholly-owned subsidiary of China Tian Yuan Finance Group (Holdings) Limited, which in turn is wholly-owned by Mr. Jia Tianjiang. Accordingly, each of China Tian Yuan International Finance Limited, China Tian Yuan Finance Group (Holdings) Limited, Mr. Jia Tianjiang and his spouse Ms. Dong Jufeng is deemed to be interested in the 775,220,529 Shares beneficially held by Hero Link Enterprises Limited and China Tian Yuan International Finance Limited by virtue of the SFO.

(5) 996,517,500 Shares are held by China Tian Yuan Asset Management Limited, which is a wholly-owned subsidiary of China Tian Yuan Manganese Finance (Holdings) Limited, which is in turn a wholly-owned subsidiary of Tian Yuan Manganese Limited, which is in turn a wholly-owned subsidiary of Ningxia Tianyuan Manganese Industry Group Co., Ltd. Ningxia Tianyuan Manganese Industry Group Co., Ltd. is owned as to 99.96% by Mr. Jia Tianjiang. Accordingly, each of China Tian Yuan Manganese Finance (Holdings) Limited, Tian Yuan Manganese Limited, Ningxia Tianyuan Manganese Industry Group Co., Ltd., Mr. Jia Tianjiang and his spouse Ms. Dong Jufeng is deemed to be interested in the 996,517,500 Shares beneficially held by China Tian Yuan Asset Management Limited.

Saved as disclosed above, as at 31 December 2021, no other persons (other than a Director or the chief executive of the Company) had any interest or short position in any Shares or underlying Shares of the Company which would be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO or which have been notified to the Company and the Stock Exchange.

Connected Transaction

During the Year, the Group has entered into the following continuing connected transactions which are required to be disclosed in accordance with Chapter 14A of the Listing Rules:

Continuing Connected Transactions

2019 Master Agreement in Relation to the Provision of Financial Services

(a) Background information of the transactions

On 22 May 2019, the Company entered into a master agreement (the "**2019 Master Agreement**") with China Huarong, pursuant to which the Group has agreed to provide (a) brokerage services for securities, futures and options trading, and placing and underwriting and sub-underwriting services ("**Category I Transactions**"); (b) corporate finance advisory services ("**Category II Transactions**"); and (c) asset management services ("**Category III Transactions**") to China Huarong and its associates (as defined under the Listing Rules) (the "**Connected Clients**"), for a term of three years commencing from 22 May 2019 and ending on 21 May 2022.

(b) Connected relationship of the parties to the transactions

China Huarong is a controlling Shareholder and indirectly and beneficially holds approximately 51% of the issued share capital of the Company, hence China Huarong is a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the 2019 Master Agreement constitute continuing connected transactions of the Company under the Listing Rules.

(c) Annual cap and total consideration

Under the 2019 Master Agreement, the annual cap amounts for the three years ending 21 May 2022 are as follows:

		For the period between 22 May 2019 and 21 May 2020 (HK$'000)	For the period between 22 May 2020 and 21 May 2021 (HK$'000)	For the period between 22 May 2021 and 21 May 2022 (HK$'000)
(i)	Category I Transactions	20,000	20,000	20,000
(ii)	Category II Transactions	15,000	15,000	15,000
(iii)	Category III Transactions	25,000	25,000	25,000
Total		60,000	60,000	60,000

For the Year, the Group has provided underwriting services (Category I Transaction) to its fellow subsidiary and earned underwriting income of US$62,520 (equivalent to approximately HK$485,000).

(d) Pricing Policies

The transactions under the 2019 Master Agreement shall be conducted on normal commercial terms and at rates that are no less favourable to the Group than rates at which the Connected Clients pay independent third parties for the relevant services. Detailed payment terms will be specified in the individual contracts governing each particular transaction. The Company would consider the following basis to determine the payment terms.

Category I Transactions

For the provision of services under Category I Transactions to the Connected Clients, the Group will charge underwriting commission as the service fee calculated by a fixed percentage of the amount of securities to be placed or underwritten. The determination of the service fee charged for services under the Category I Transactions will be based on the prevailing market terms and rates for transactions of similar nature. The underwriting commission rate shall be determined through arm's-length negotiation among the Group, other syndicate underwriters who are independent third parties, and the Connected Client(s). The underwriting commission rate shall be applicable to the Group and other syndicate underwriters, and may be adjusted by taking into account the size of the fund-raising exercise and its potential return. As such, the Group will be able to ensure that the terms for the provision of services under the 2019 Master Agreement to the Connected Clients will be comparable to the normal commercial terms on the market and no less favourable to the Group than the provision of such services to independent third parties. The Group expects that, in general, the fee percentage for securities brokerage services will be between 0.07% to 0.5% and the fee percentage for placing and underwriting services will be between 0.2% to 5%.

Category II Transactions

For the provision of services under Category II Transactions to the Connected Clients, the Group will charge a fee for each advisory project fixed by reference to the nature, size, complexity and resources involved in each particular project. The determination of the fees charged for services under Category II Transactions will be based on the price range charged for similar services provided by the Group to existing independent third parties clients, taking into account (i) the urgency of the proposed transaction or project; (ii) the resources estimated to be utilized in providing the relevant services; (iii) the size and complexity of the proposed transaction or project; (iv) the fees charged for historical transactions of similar nature; and (v) the prevailing market rate. By comparing the determined fees with that chargeable to independent third parties, the Group shall ensure that the determined fees shall be no less favourable to the Group than that charged to the independent third parties clients.

Category III Transactions

For the provision of services under Category III Transactions to the Connected Clients, the Group will charge management fee and performance fee to be determined based on a number of factors. The determination of the fees charged for services under Category III Transactions will be based on a number of factors applicable to all customers, including but not limited to the size and nature of the fund, the fees charged for historical transactions of the Group of similar nature and the prevailing market rates at the material time. The Group expects, in general, the range of management fee will be between 0.5% to 2% per annum and the range of performance fees will be between 0% to 25% of the return of funds with reference to the prevailing market rates. The fee percentage for actively managed fund will be in the upper half of the range, while the fee percentage for passively managed funds will be in the lower half of the range.

(e) Purpose of the transactions and the nature of the interests of the connected persons in the transactions

China Huarong is a large financial asset management company in the PRC. It provides fully licensed, multi-functional, and comprehensive financial services, including asset management, banking, securities, trust, leasing, investment, funds, futures, and real estate. The Directors expect that more business opportunities will be brought to the Group through the engagement of the Group by China Huarong and the Connected Clients.

The entering into of the 2019 Master Agreement enables the Group to rely on the extensive client network of China Huarong and its associates, allowing the Group to expand the scale of its existing securities business, in particular seeking business opportunities in the PRC market.

For further information relating to the transactions contemplated under the 2019 Master Agreement, please refer to the announcement of the Company dated 22 May 2019.

(f) Internal Control Procedures

To ensure that the transactions contemplated under the 2019 Master Agreement are conducted on normal commercial terms and in accordance with the terms of the 2019 Master Agreement, and that the transactions comply with the pricing policies of the Group, the Group has implemented the following internal control procedures:

- Prior to entering into any transaction contemplated under the 2019 Master Agreement, the relevant agreement (including the pricing terms for each transaction between the Group and the Connected Clients) shall be reviewed and approved by the compliance and legal department, senior management and responsible officers (within the meaning of the SFO) of the Group to ensure that the fees charged by the Group will be (i) in compliance with the Group's internal pricing policy; and (ii) on normal commercial terms and at rates no less favourable to the Group than the rates charged by the Group to independent third parties for transactions of similar nature.

- Detailed payment terms will be specified in the individual agreement governing the particular transaction. The auditors of the Company will also conduct annual review of the continuing connected transactions entered into by the Group such that the Group could be able to ensure compliance with the Listing Rules.

- The Company will periodically review the transactions with China Huarong to identify any transactions that may be at risk of exceeding the proposed annual cap(s), and any measures to be taken in respect of such transactions. The Group has established a series of measures and policies to ensure that the transactions will be conducted in accordance with the terms of the 2019 Master Agreement.

By implementing the above mentioned procedures, the Directors consider that the Company has established adequate and effective internal control measures in monitoring the continuing connected transactions to ensure that the requirements under the Listing Rules are complied with.

(g) Annual Review of the Continuing Connected Transaction

The Directors, including the independent non-executive Directors, have reviewed the above continuing connected transactions and confirmed that these transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the relevant agreement of the above continuing connected transactions governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor, Ernst & Young, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA. For the purpose of Rule 14A.56 of the Listing Rules, the Board confirmed that they received an unqualified letter from the Company's auditor containing their findings and conclusions regarding the continuing connected transactions disclosed above that nothing has come to the auditor's attention that causes them to believe that:

1. the disclosed continuing connected transactions have not been approved by the Company's Board of Directors;

2. the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

3. the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

4. the disclosed continuing connected transactions have exceeded the relevant annual cap amount disclosed in the previous announcements of the Company.

For further information regarding the above-mentioned continuing connected transactions and the Group's significant transaction with related parties, please refer to note 42 to the consolidated financial statements. All the related parties transactions except item (b) (vi) described in this note fall under the definition of "connected transaction" or "continuing connected transaction" under the Listing Rules. The Company confirms that it had made relevant disclosures pursuant to the disclosure requirements under Chapter 14A of the Listing Rules.

Disclosure pursuant to Rule 13.18 and Rule 13.21 of the Listing Rules

As at 31 December 2021, details of existing banking facilities with covenants relating to specific performance of the Company's controlling Shareholder which constitute disclosure obligation pursuant to Rule 13.18 and Rule 13.21 of the Listing Rules are as follows:

Facility Agreement I

The Company, as the borrower, entered into a facility letter with a bank as the lender in relation to an uncommitted revolving loan facility in an aggregate amount of up to US$100,000,000 or equivalent in Hong Kong dollars (the "**Facility I**") on 28 November 2016, which was supplemented by two supplementary facility letters dated on 21 February 2019 and 28 April 2021 (the facility letter together with the supplementary facility letters, collectively the "**Facility Agreement I**"). China Huarong has issued a letter of comfort and has undertaken to maintain its status as the Company's controlling shareholder as long as the Facility I remains outstanding. In addition, under the Facility Agreement I, the Company shall be directly or indirectly at least 51% beneficially owned and controlled by China Huarong throughout the life of the Facility I.

As at 31 December 2021, loan amount outstanding under Facility Agreement I was HK$775 million. Based on communications with the bank, the next review date of the Facility I will be October 2022 and the Company is currently negotiating with the bank for the finalisation of the agreement for the renewal of the Facility I, which will be announced upon execution.

Facility Agreement II

On 21 May 2020, the Company. as the borrower, entered into a facility letter (the "**Facility Agreement II**") with a bank as the lender to renew an uncommitted revolving loan facility in an aggregate amount of US$100,000,000 (the "**Facility II**"). The Facility II shall be repaid in full on the date as notified by the bank from time to time at its sole discretion. Under the terms of the Facility Agreement II, the Company shall ensure to remain as the subsidiary of China Huarong and shall ensure that CHIH shall maintain the status of controlling shareholder of the Company. Moreover, China Huarong has issued a letter of comfort and has undertaken to continuously maintain control over the Company as long as the Facility II remains outstanding.

As at 31st December 2021, loan amount outstanding under Facility Agreement II was HK$624 million. Based on communications with the bank, the next review date of the Facility II will be August 2022.

Facility Agreement III

On 20 January 2021, HRIV, a direct wholly-owned subsidiary of the Company and as the borrower, signed a revolving loan facility letter (the "**Facility Agreement III**") with a bank as the lender for a facility up to an aggregate amount of HK$200,000,000 (the "**Facility III**"). The Facility III is repayable on demand by the bank. China Huarong has issued a letter of comfort and has undertaken, among others, to continuously maintain control over HRIV as long as the Facility III remains outstanding.

As at 31st December 2021, loan amount outstanding under Facility Agreement III was HK$200 million. Based on communications with the bank, the next review date of the Facility III will be August 2022.

Facility Agreement IV and Facility Agreement V

(a) On 25 March 2021, the Company, as the borrower, signed a revolving loan facility letter (the "**Facility Agreement IV**") with a bank as the lender for a facility up to an aggregate amount of HK$200,000,000 (the "**Facility IV**"). The Facility IV is repayable on demand by the bank. China Huarong has issued a letter of comfort and has undertaken to, among others, maintain control over the Company as long as the Facility IV remains outstanding.

As at 31 December 2021, loan amount outstanding under Facility Agreement IV was nil.

(b) On 25 March 2021, HRIS, a wholly-owned subsidiary of the Company and as the borrower, entered into a revolving loan facility letter (the "**Facility Agreement V**") with a bank as the lender for a facility up to an aggregate of HK$100,000,000 (the "**Margin Lending Facility**"), which is used to support HRIS's margin lending and brokerage business. The Margin Lending Facility is repayable on demand by the bank. China Huarong also issued a letter of comfort and has undertaken to, among others, maintain control over HRIS as long as the Margin Lending Facility remains outstanding.

As at 31 December 2021, loan amount outstanding under Facility Agreement V was nil.

Contracts of Significance

Save as disclosed in note 8 to the consolidated financial statements and under the sub-section "Connected Transactions" of this annual report, at no time during the Year had the Company or any of its subsidiaries entered into any contract of significance with its controlling Shareholder (as defined in the Listing Rules) or any of its subsidiaries, nor had any contract of significance been entered into for the services provided by its controlling Shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance practices. During the Year, the Company has complied with all the applicable code provisions of the CG Code. A report on the principal corporate governance practices adopted by the Company is set out on pages 46 to 68 of this annual report.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public throughout the Year.

Events After the End of the Year

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

Audit Committee

The Audit Committee was established in accordance with the requirements of Rule 3.21 of the Listing Rules. The Audit Committee of the Company currently comprises four independent non-executive Directors, namely Mr. Hung Ka Hai Clement, Mr. Ma Lishan, Mr. Guan Huanfei and Dr. Lam Lee G. (appointed on 1 September 2021). 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 consolidated financial statements of the Group for the Year have been reviewed by the Audit Committee.

Auditor

Messrs. Deloitte Touche Tohmatsu acted as the auditor of the Company for the financial years ended 31 December 2017, 2018 and 2019. Deloitte has retired as the auditor of the Company and Ernst & Young has first been appointed as the new auditor of the Company at the conclusion of the AGM held on 2 June 2020 in order to align the appointment of auditor with that of its controlling Shareholder, China Huarong, and Ernst & Young has been re-appointed as the auditor of the Company at the AGM held on 19 October 2021 until the conclusion of the next AGM. A resolution for re-appointment of Ernst & Young as the auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board
Huarong International Financial Holdings Limited
Xu Xiaowu
Chairman

Hong Kong, 28 March 2022

CORPORATE GOVERNANCE REPORT

The Company is committed to achieving high standards of corporate governance. The Company believes that conducting the Group's business in an open and responsible manner and complying with good corporate governance practices serve the long-term interests of the Company and its Shareholders as a whole. Throughout the Year, the Company has adopted the principles and has complied with all the applicable and implemented code provisions of the CG Code as set out in Appendix 14 to the Listing Rules.

Directors' Securities Transactions

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors. In response to a specific enquiry made by the Company, all Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the Year and up to the date of this annual report.

Board of Directors

Board Composition

The Board of Directors had six Directors comprising two executive Directors, one non-executive Director and three independent non-executive Directors before 1 September 2021. In order to grasp and respond to the opportunities and risks arising from sustainable development in a more effective manner by promoting the management and supervision of the Group's sustainable development measures, and to further improve the Company's corporate governance structure and guarantee more effective monitoring on the Company's operations, the Company adjusted the structure of the Board. The Sustainable Development Committee has been established and one additional independent non-executive Director has been appointed on 1 September 2021. As at the date of this report, the Board consists of seven Directors, whose names and offices are listed on page 2 of this annual report.

The Directors give sufficient time and attention to the Company's affairs. The Directors disclose to the Company the number and nature of offices held by them in public companies or organisations and their other significant commitments on a biannual basis.

The independent non-executive Directors provide the Board with diversified skills, expertise and experience. Their views and participation in the Board and committees meetings bring independent, constructive and informed comments on issues relating to the Company's strategies and policies to ensure that the interests of all Shareholders are taken into account.

An updated list of the Directors identifying their roles and functions is maintained on the websites of the Company and the Stock Exchange. The independent non-executive Directors are identified as such in all corporate communications containing the name of the Directors.

None of the members of the Board and the senior management personnel has any relationship with one another (including financial, business, family or other relevant material relationship(s)).

Director Nomination Policy

The Company has already adopted a director nomination policy (the "**Director Nomination Policy**") in December 2018 setting out the criteria and process in the nomination and appointment of Directors.

(a) Appointment of New Directors

The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents. In evaluating and selecting any candidate for directorship, the following criteria should be considered:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience and diversity requirements under the Board Diversity Policy (as defined below) that are relevant to the Company's business and corporate strategy;
- Any measurable objectives adopted for achieving diversity on the Board;
- Requirement for the Board to have independent Directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules;
- Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;
- Willingness and ability to devote sufficient time to discharge duties as a member of the Board and/or Board committee(s) of the Company; and
- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of Directors and succession planning.

The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. Where appropriate, the Board should make recommendation to Shareholders in respect of the proposed election of Directors at the general meetings of the Shareholders.

(b) Re-election of Directors at General Meetings of the Shareholders

The Nomination Committee and the Board should review the overall contribution and service provided to the Company of a retiring Director and the level of participation and performance in the Board meetings. The Nomination Committee and the Board should also review and determine whether a retiring Director continues to meet the criteria as set out above.

The Board should then make recommendations to Shareholders in respect of the proposed re-election of Directors at the general meetings of the Shareholders.

Where the Board proposes a resolution to elect or re-elect a candidate as Director at the general meetings of the Shareholders, the relevant information of the candidate will be disclosed in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meetings of the Shareholders in accordance with the Listing Rules and/or applicable laws and regulations.

The Nomination Committee conducts regular review on the structure, size and composition of the Board and the Director Nomination Policy and where appropriate, make recommendations on changes to the Board to serve the purpose of the Company's corporate strategy and business needs.

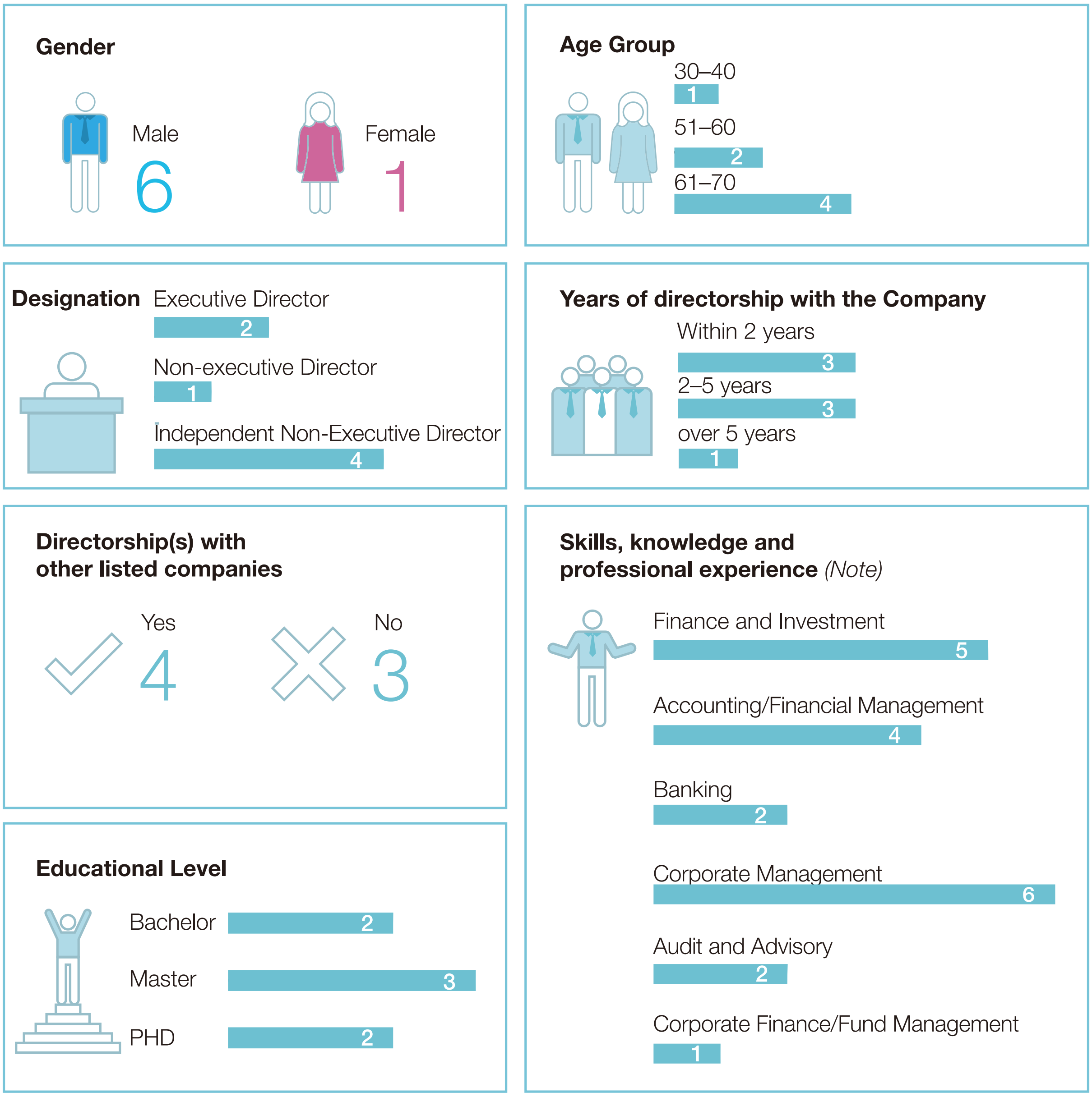
Board Diversity

The Company has already adopted a board diversity policy (the "**Board Diversity Policy**") in August 2013 setting out the approach to achieve diversity on the Board.

The Company considers diversity as a wide concept and believes that a diversity of perspectives can be achieved through consideration of a number of factors, including but not limited to gender, age, cultural background, educational background and professional experience. All director appointments will be based on meritocracy, in the context of the skills and experience required by the Board as a whole to be effective. The ultimate decision will be based on merit and contribution that the selected candidate will bring to the Board.

On 1 September 2021, the Company appointed Dr. Lam Lee G. as an additional independent non-executive Director for an initial term of two years commencing from 1 September 2021, which is subject to retirement for re-election and rotation in accordance with the Company's Bye-laws (same as the term of appointment of Ms. Wang Qi, the non-executive Director who has been most recently appointed prior to the appointment of Dr. Lam in June 2020). Dr. Lam has extensive international experience in corporate management, strategy consulting, corporate governance, direct investment, investment banking and asset management. His joining to the Board further enhanced the Board's diversity.

A diversity analysis of the existing Board composition is set out in the chart below:



Note: Directors may possess multiple skills, knowledge and professional experience.

The above members of the Board of the Company are of diversified professional, educational and cultural background, which enable them to provide diverse opinion for the Board on decision making. The Nomination Committee of the Company will monitor the achievement of the objectives set out in the Board Diversity Policy and review the same as appropriate to ensure its continuous effectiveness.

Directors' and Officers' Liabilities Insurance

The Company has arranged appropriate insurance coverage for the liabilities of the Directors and officers of the Group in respect of any legal actions taken against the Directors and officers of the Group arising out of corporate activities.

Delegation by the Board

The Board is responsible for overseeing the strategic development of the Group and for determining the objectives, strategies, policies and business plan of the Group. Matters reserved for the Board are those affecting the Company's overall strategic policies, finance and shareholders relations. These include, but are not limited to the following:

- deliberation of business plans, risk management, internal control;
- preliminary announcements of interim and final results, and interim and annual reports;
- dividend policy;
- annual budget;
- major corporate activities such as material acquisitions and disposals, and connected transactions; and
- Directors' appointment, re-election and recommendations.

The Board may delegate part of its functions and duties to the Executive Committee and day-to-day operational responsibilities are specifically delegated to the management, specifying matters which require approval by the Board. The Board gives clear directions as to the management's power, and periodically reviews the delegations to the management to ensure that they are appropriate and continue to be beneficial to the Group as a whole. The management is required to report to the Board in relation to its decisions, findings or recommendations, and in certain specific situations, to seek the Board's approval before taking any action.

To comply with the requirements under the CG Code, the Board is also responsible for performing the corporate governance duties. During the Year, the Board has performed the corporate governance duties set out in paragraph D.3.1 in part 2 of the CG Code, including but not limited to reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Board Meetings

The Board meets at least four times each year at approximately quarterly intervals to discuss the Group's overall strategies, operations and financial performance. A tentative meeting schedule of the Board and the Board committees for the whole year is provided to the Directors prior to the beginning of each year. In addition, at least 14 days' notice and the preliminary agenda are given for all regular Board meetings and a final agenda with supporting Board papers is given no less than 3 days prior to a Board meeting such that all Directors are given the opportunity to include matters for discussion in the agenda. The Chairman of the Board also ensures that all Directors are supplied with adequate information in a timely manner before each meeting and that all Directors are properly briefed on issues arising at the Board meeting. Senior management of the Group are invited to attend the Board meetings to present and answer any enquiries raised by the Directors. At all times, the Board and each Director have separate and independent access to the Company's senior executives for the purpose of obtaining additional information.

During the Year, the Board held four regular meetings. The attendance record of individual Directors is set out below.

Directors	Attendance/ (Number of Meetings Held)
Executive Directors	
Xu Xiaowu (appointed on 4 January 2021)	3/(3)
Wang Junlai	4/(4)
Non-executive Director	
Wang Qi	4/(4)
Independent Non-executive Directors	
Hung Ka Hai Clement	4/(4)
Ma Lishan	4/(4)
Guan Huanfei	4/(4)
Lam Lee G. (appointed on 1 September 2021)	1/(1)
Former Director	
Yang Rungui (resigned on 4 January 2021)	0/(1)

The Directors have access to relevant and timely information, and they can ask for further information or retain independent professional advisors at the Company's expense to assist them in performing their duties if necessary. They can also have access to advice and services of the company secretary of the Company (the "**Company Secretary**"), who is responsible for providing the Directors with Board papers and related materials and ensuring that Board procedures are followed. The Directors are given sufficient time for discussion at the Board meetings. Where queries are raised by the Directors, the management provides prompt and full responses to the extent possible.

If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the Board and the Board has determined it to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. Independent non-executive Directors who, and whose close associates, have no material interest in the transaction should be present at that board meeting.

The Company Secretary is responsible for compiling minutes of the Board meetings and meetings of the Board Committees. The minutes record in sufficient details the matters considered and decisions reached by the Board and the Board Committees, including any concerns raised by the Directors or dissenting views expressed. Draft and final versions of the minutes of meetings of the Board and/or the Board Committees are sent to all Directors and/or respective Board Committees members for their comment and records within a reasonable period of time after the meetings were held. All such minutes are kept by the Company Secretary and are available for inspection by the Directors upon request.

Chairman and Chief Executive Officer

In order to reinforce their respective independence, accountability and responsibility, the roles of Chairman and Chief Executive Officer of the Company are segregated. Mr. Xu Xiaowu is the Chairman (appointed on 4 January 2021) and Mr. Wang Junlai is the Chief Executive Officer of the Company. Mr. Yang Rungui resigned from position of Chairman on 4 January 2021.

The Chairman is responsible for the leadership and effective operation of the Board, and for ensuring that all key and appropriate issues are discussed by the Board in a timely and constructive manner. The Directors are encouraged to participate actively in all Board and Board Committee meetings of which they are members.

The Chairman should at least annually hold meetings with the independent non-executive Directors, without presence of other Directors. During the Year, Mr. Xu Xiaowu held one meeting with the independent non-executive Directors, without the presence of other Directors, to exchange views and comments further on those matters discussed at the Board meetings. The Chief Executive Officer, supported by the senior management, is responsible for the day-to-day management of the Group's business, including developing and proposing the Group's strategies and policies for the Board's consideration and the implementation of major strategies and policies approved by the Board and its committees.

Independent Non-executive Directors

For the Year, the Board had been in compliance with relevant requirements of the Listing Rules, and had at least three independent non-executive Directors (representing at least one-third of the Board), with one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

Each independent non-executive Director is appointed for a specific term of not more than three years under the letter of appointment. All Directors, including independent non-executive Directors, are subject to retirement by rotation and eligible for re-election at the annual general meeting at least once every three years in accordance with the Bye-laws. The Company has issued formal letters of appointment to its Directors setting out key terms of their appointments.

The Company has received confirmations of independence pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules from all independent non-executive Directors (including the newly appointed independent non-executive Director) and considers that they are independent. None of them has served the Company for more than nine years. In view of the amendments to the Listing Rules which came into effect on 1 January 2019, the written annual confirmation of independence also covered the immediate family members (as defined under Rule 14A.12(1)(a) of the Listing Rules) in the assessment of the independence of each independent non-executive Director.

Any further re-election of an independent non-executive Director who holds/will be holding his seventh (or more) listed company directorship, the Board will explain in the circular the reason that such Director will still be able to devote sufficient time to handle matters of the Board.

Directors' Continuous Professional Development

Every newly appointed Director is provided with a comprehensive induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under the relevant statutes, laws, rules and regulations. Development and training of Directors is an ongoing process so that they can perform their duties appropriately. The Directors are provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, the Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills to ensure that they continue to make contribution to the Board in an informed and relevant manner.

During the Year, the Company organised a training session for Directors, senior management and relevant staff as part of the continuous professional development, which was conducted by the Company's ESG consultant on disclosure requirements and material updates on the ESG reporting under the Listing Rules to advance and refresh their knowledge and skills. The Company had notified the Directors of a new release of training materials on corporate governance and e-learning provided by the Stock Exchange from time to time. The Company also circulated materials to update Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, so as to ensure regulatory compliance of the Company and to enhance their awareness of good corporate governance practices.

The trainings received by the Directors during the Year and up to the date of this report is summarised as follows:

Directors	Types of training
Xu Xiaowu (appointed on 4 January 2021)	A, B
Wang Junlai	A, B
Wang Qi	B
Hung Ka Hai Clement	A, B
Ma Lishan	A, B
Guan Huanfei	A, B
Lam Lee G. (appointed on 1 September 2021)	A, B
Former Director	
Yang Rungui (resigned on 4 January 2021)	Nil

A – attending seminars/conferences/forums/briefings/workshops/programmes relevant to ESG disclosure

B – reading articles relevant to corporate governance, regulatory updates and duties and responsibilities of Directors

Company Secretary

The Company Secretary is an employee of the Company, who is responsible for facilitating the Board's processes and communications among Board members, with the Shareholders and with the management. During the Year, Ms. Luo Xiaojing acted as the Company Secretary of the Company, and she received not less than 15 hours of relevant professional training as required under Rule 3.29 of the Listing Rules.

Board Committees

The Company had five Board committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee, the Executive Committee and the Risk Management Committee before 1 September 2021, for overseeing particular aspects of the Company's affairs. In order to grasp and respond to the opportunities and risks arising from sustainable development in a more effective manner by promoting the management and supervision of the Group's sustainable development measures, the Sustainable Development Committee under the Board was established on 1 September 2021. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses. The updated terms of reference of the respective Board committees are available on the websites of the Company and the Stock Exchange.

Audit Committee

The Audit Committee currently consists of four independent non-executive Directors, namely Mr. Hung Ka Hai Clement, Mr. Ma Lishan, Mr. Guan Huanfei and Dr. Lam Lee G. (appointed on 1 September 2021), with Mr. Hung Ka Hai Clement as the chairman.

No member of the Audit Committee is a former partner/principal of the existing auditing firm of the Company during the two years after he ceases to be a partner/principal of the auditing firm.

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. It also acts as an important link between the Board and the Company's internal and external auditors with respect to matters within the scope of the Group's audit.

The Audit Committee meets regularly with the senior management, the external and internal auditors to consider and discuss the Group's financial reporting process, systems of internal control and compliance.

The Audit Committee held four meetings during the Year. Separate session between the committee members and the external independent auditor without the presence of the management had also been arranged. The attendance record of individual members is set out below.

Committee members	Attendance/ (Number of Meetings Held)
Hung Ka Hai Clement *(Chairman)*	4/(4)
Ma Lishan	4/(4)
Guan Huanfei	4/(4)
Dr. Lam Lee G. (appointed on 1 September 2021)	1/(1)

During the Year, the Audit Committee has mainly performed the following tasks:

- Reviewed the 2020 annual results and the 2021 interim results of the Group and discussed and approved the relevant financial reports;

- Reviewed the 2020 annual audit report and the 2021 interim review report of the Company's external independent auditor;

- Reviewed the 2021 annual audit plan of the Company's external independent auditor;

- Met with the Company's external independent auditor to discuss their audit work on the Group;

- Reviewed continuing connected transactions for the year of 2020 and the external independent auditor's report on continuing connected transactions;

- Recommended to the Board on re-appointment of the Company's external independent auditor;

- Reviewed the internal audit work plan and the internal audit reports covering the evaluation of the Group's internal control system in various operation and management aspects;

- Communicated with the senior management on interim and annual accounting and financial reporting issues;

- Discussed matters raised by the internal auditor and external independent auditor to ensure that appropriate recommendations are implemented;

- Reviewed the adequacy of resources, staff qualifications and experience, training programs of the Group's financial reporting and internal audit functions; and

- Reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Audit Committee is provided with sufficient resources, which enables it to perform its duties. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor. The financial results of the Group for the Year have been reviewed with no disagreement by the Audit Committee.

Remuneration Committee

The Remuneration Committee currently consists of three independent non-executive Directors, namely Mr. Guan Huanfei, Mr. Hung Ka Hai Clement and Mr. Ma Lishan, with Mr. Guan Huanfei as the chairman.

The roles and responsibilities of the Remuneration Committee primarily include making recommendations to the Board on the Company's policy and structure of remuneration packages of the Directors and senior management. The Remuneration Committee is also responsible for establishing formal and transparent procedures for developing remuneration policy and structure to ensure that no Director or any of his/her associates will participate in the determination of his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practices and conditions. The Remuneration Committee, with delegated responsibility, is also responsible for reviewing annually the existing remuneration policy, including the remuneration packages of individual executive Directors and senior management, whereas the Board as a whole is responsible for determining the remuneration of non-executive Directors (including the independent non-executive Directors) with recommendations from the Remuneration Committee, if any.

During the Year, three Remuneration Committee meetings were held. The attendance record of individual members is set out below.

Committee members	Attendance/ (Number of Meetings Held)
Guan Huanfei *(Chairman)*	3/(3)
Hung Ka Hai Clement	3/(3)
Ma Lishan	3/(3)

During the Year, the Remuneration Committee made recommendations to the Board on the remuneration and/or director's fee of newly appointed Directors, the senior management's incentive bonus and salaries and made recommendations to the Board for such to be approved, if thought fit. The Remuneration Committee also made recommendations to the Board on the Group's policy and structure of remuneration packages.

Further particulars regarding the Directors' remuneration and individuals with highest emoluments are set out in notes 8 and 9 to the consolidated financial statements, respectively.

Nomination Committee

The Nomination Committee currently comprises three independent non-executive Directors, namely Mr. Hung Ka Hai Clement, Mr. Ma Lishan and Mr. Guan Huanfei, and the Chairman of the Board, namely Mr. Xu Xiaowu (appointed on 4 January 2021), with Mr. Hung Ka Hai Clement as the chairman.

The roles and responsibilities of the Nomination Committee primarily include considering the selection criteria and procedures of the Directors and the senior management in accordance with the recommendations of the Chairman of the Board and making recommendations to the Board, identifying individuals suitably qualified to become Board members in accordance with the recommendations of the Chairman of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships, assessing the independence of independent non-executive Directors in accordance with the recommendations of the Chairman of the Board, and making recommendations to the Board on the appointment or re-appointment of the Directors and succession planning of the Directors in accordance with the recommendations of the Chairman of the Board.

During the Year, three Nomination Committee meetings were held. The attendance record of individual members is set out below. Nomination Committee also considered and approved resolutions by way of written resolutions.

Committee members	Attendance/ (Number of Meetings Held)
Hung Ka Hai Clement *(Chairman)*	3/(3)
Xu Xiaowu (appointed on 4 January 2021)	2/(2)
Ma Lishan	3/(3)
Guan Huanfei	3/(3)
Former Committee member	
Yang Rungui (resigned on 4 January 2021)	0/(1)

During the Year, the Nomination Committee considered and recommended to the Board the re-election of the Directors who were subject to retirement by rotation at the 2021 AGM, reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board and evaluated the independence of the independent non-executive Directors, and considered changes of Directors and the Chairman of the Board and appointment of the new independent non-executive Director, and made recommendations to the Board for such to be approved, if the Board thought fit. The Nomination Committee has considered, among others, the Board Diversity Policy in making their recommendations of candidates.

Executive Committee

The Executive Committee currently consists of the two executive Directors, namely Mr. Xu Xiaowu (appointed on 4 January 2021) and Mr. Wang Junlai, with Mr. Xu Xiaowu as the chairman.

The major roles and functions of the Executive Committee are to make investment decisions within the Board power that has been in turn delegated to the Executive Committee, to handle relevant matters that shall not be necessarily dealt with by regular Board meetings or are too late to be dealt with by ad hoc Board meetings as considered by the Chairman of the Board, and to handle any other matters authorised by the Board to the Executive Committee on an ad hoc basis.

During the Year, the Executive Committee considered and approved bank account management and other day-to-day matters as assigned by the Board. No physical Executive Committee meeting was held. All matters were circulated to the members of the Executive Committee for consideration and approval by way of written resolutions.

Risk Management Committee

The Risk Management Committee currently consists of two executive Directors, namely Mr. Xu Xiaowu (appointed on 4 January 2021) and Mr. Wang Junlai, the non-executive Director, namely Ms. Wang Qi, and two independent non-executive Directors, namely Mr. Ma Lishan and Dr. Lam Lee G. (appointed on 1 September 2021), with Mr. Ma Lishan as the chairman.

The major roles and functions of the Risk Management Committee are as follows:

- to advise the Board on the risk appetite statements, risk principles and other risk-related issues of the Company and its subsidiaries, including strategic transactions such as mergers, acquisitions and disposals;
- to discuss with management the scope and quality of the risk management system and ensure that the management has discharged its duty to maintain effective systems;
- to review the major investigation findings on risk management matters and the management's response to these investigation findings as delegated by the Board or on its own initiative;
- to approve the Company's risk policies and risk tolerances, review the risk reports and examine the breaches of risk tolerances and policies;
- to consider emerging risks relating to the Company's business and strategies, and assess whether appropriate arrangements are put in place to control and mitigate the risks effectively;

- to review and assess the adequacy and effectiveness of the Company's risk management framework, internal control system and risk management policies and procedures in identifying, measuring and controlling risks; to review and assess the effectiveness of the Company's risk management/mitigation instruments, including the enterprise risk management programme, risk management system, internal audit function relating to risk management and the Company's contingency plans; to ensure that the aforementioned reviews and assessment are conducted at least once a year; and

- to review the Company's capital adequacy and solvency level.

During the Year, two Risk Management Committee meetings were held. The attendance record of individual members is set out below.

Committee members	**Attendance/ (Number of Meetings Held)**
Ma Lishan *(Chairman)*	2/(2)
Xu Xiaowu (appointed on 4 January 2021)	2/(2)
Wang Junlai	2/(2)
Wang Qi	1/(2)
Lam Lee G. (appointed on 1 September 2021)	1/(1)
Former Committee member	
Yang Rungui (resigned on 4 January 2021)	N/A

During the Year, the Risk Management Committee reviewed and assessed the adequacy and effectiveness of the Company's risk management and internal control system on a semi-annually basis, reviewed the risk management plan for the second half of 2021 and for the year of 2022. In particular, the Risk Management Committee discussed with the management about the major investigation findings on new risks relating to the Company's business and strategies and risk management matters, and made recommendations on improvement of the risk management system of the Company.

Sustainable Development Committee

The Sustainable Development Committee was established on 1 September 2021, which consists of two independent non-executive Directors, namely Dr. Lam Lee G. and Mr. Guan Huanfei, and one executive Director, namely Mr. Wang Junlai, with Dr. Lam Lee G. as the chairman.

The roles and responsibilities of the Sustainable Development Committee primarily include reviewing the Group's vision, targets, strategy and key policies of sustainable development, and making recommendations to the Board for approval; reviewing the assessment of risks and opportunities in the Group's sustainability and making recommendations to the Board; monitoring the implementation of the sustainability strategy; regularly evaluating the progress and performance of sustainable development and reporting the performance on sustainable development and making recommendations to the Board; and reviewing the annual ESG Report and making recommendations to the Board for approval.

There was no meeting of the Sustainable Development Committee held during the period from the date of its establishment to the year-end date.

Risk Management and Internal Control

In compliance with relevant laws and in accordance with the requirements of relevant regulations of the regulatory authorities, the Group makes continuous improvement in its corporate governance standards and continues to enhance its governance structure in relation to general meetings, the Board and senior management. It has also established a risk management structure with distinct responsibilities and reporting procedures with an aim to identify, prevent and mitigate risks that will affect the fulfillment of the Group's objectives.

- The Board acknowledges its responsibilities for risk management and internal control systems and the assessment of the effectiveness of such systems. The Board is responsible for assessing and determining the nature and extent of risks that the Group is willing to take in order to realise its strategic objectives, and overseeing the design, implementation and monitoring of risk management and internal control systems by the management to ensure that appropriate and effective risk management and internal control systems have been established and maintained by the Group.

- The Risk Management Committee and the Audit Committee established under the Board are responsible for the review of the Company's risk management and internal control systems and the supervision of the effective implementation of such systems, as well as self-assessment of internal control.

- The management of the Group is responsible for the daily operation of the Group's risk management and internal control systems, and the confirmation of the effectiveness of such systems to the Board. Related management functions are responsible for the specific implementation and daily tasks of risk management and internal control.

- Internal audit personnel are responsible for regular evaluation of the operation of internal control system and report to the Audit Committee.

The Group has established and gradually optimised various risk management and internal control systems by constantly revamping risk management and internal control processes and making continuous improvements in risk management and internal control structure. Risk management is implemented in six areas according to related risks in business activities: firstly, the construction of a comprehensive risk management system will be continuously improved and the risk management system will be continuously revised and updated to ensure that no system gaps are left in key areas and important processes; secondly, scientifically sound risk preference indicators have been formulated in accordance with the Company's strategic development plan; thirdly, risk identification and risk assessment are conducted in respect of the Company's existing and planned business models and risk strategies have been formulated accordingly; fourthly, the Risk Management, Legal and Compliance Department and Treasury Department are responsible for regular monitoring and control over corporate and business risks; fifthly, the Operational Decision Committee (formerly known as Investment Decision Committee) is responsible for business review and project risk assessment and supervision; sixthly, internal audit personnel are responsible for independent inspection and supervision for the completeness, reasonableness and effectiveness of the internal control system. Meanwhile, the Group has been upholding the concept of total risk management with the formation of a risk management system comprising prior inspection and prevention, control during the event and post-event supervision. At the same time, the three lines of defense functions independently through identification, evaluation, response to and monitoring of risk exposures from time to time, so that the possible impact of such risks is prevented, mitigated and reduced.

During the Year, the Group continued to improve and perfect system management to ensure the effectiveness of system constraints by continuously promoting the system construction to enhance digital application, and improving the establishment of working guidelines to assist in the refinement of management. Firstly, the external regulations shall be internalized and applied in a timely and adequate manner to fully implement regulatory requirements; secondly, the daily work of compliance review shall be solidly carried out to continuously improve the effectiveness of internal control; thirdly, the Group shall proactively implement the compliance risk warnings to prevent risks and ensure the safe and sound operation of the business and management system; fourthly, we need to continue to carry out self-evaluation of the system, and constantly enhance the system constraints and process control; fifthly, the application of digital technology shall be strengthened so as to consolidate the foundation of financial technology, improve the efficiency of collaboration, optimize the operational process, promote the digital transformation of the license business, and realize the quality and efficiency of operation and management.

The Group will continue to perfect the internal control and compliance framework, continuously improve the internal control system and strengthen the management foundation. Firstly, we shall perfect the system management to ensure the effectiveness of system constraints. We shall insist on normal governance and deepen the construction of a long-term mechanism for internal control and compliance. The compliance requirements shall be embedded into various business processes, and the regular internal control inspections and evaluations shall be carried out based on the business characteristics, risk conditions and case prevention and control. Secondly, the system construction shall be promoted by enhancing digital applications. We shall give full play to the financial technology support, and continue to make progresses in the construction of various information systems, so as to continuously improve the digitalization and intelligence of internal control and compliance management. Thirdly, working guidelines will be established to assist in fine management. We will optimize the working guidelines based on products line, refine the overall investment policy guidelines to cater to each product line, quantify the indicators to assist in the standardization of assessment and enhance business efficiency. Fourthly, the post-investment management will be refined and the implementation efforts will be increased. Also, we will refine the filing management of business files, clarify the filing requirements of key projects, and set up audit roles thereof. Fifthly, we will continue to strengthen the publicity and implementation of the systems to foster a culture of internal control and compliance. We will stick to the principle of "**comprehensive promotion, regular inspection and continuous improvement**" in the long-term internal control and compliance work. On this basis, we will continue to enhance the promotion of the culture of internal control and compliance, establish the correct orientation of thinking in the development of the new Huarong businesses, and comprehensively enhance the awareness and standard of internal control and compliance of all employees of the Company.

Based on the guidelines of relevant regulatory institutions, the Group conducts annual review and self-assessment on the effectiveness of risk management and internal control systems to review five elements in internal control, namely control environment, risk assessment, control activities, information and communication, and monitoring activities, which covers supervision and measures in various substantial fields, including financial, operational and compliance management functions. The scope of review also includes the resources adequacy and staff's qualification, experience and training of the Group's internal control, accounting and financial reporting functions. Such internal control review involves a review and evaluation by the internal audit personnel on the review process and result on the basis of the self-assessment conducted by each internal function of the Group. Based on the related review and assessment results, the management confirms the effectiveness and adequacy of the risk management and internal control systems of the Group, and report to the Risk Management Committee, the Audit Committee and the Board.

During the Year, the Group's internal audit personnel adopted a risk-oriented audit approach. According to the internal audit plan as approved by the Audit Committee of the Board, independent reviews were carried out with a special focus on the licensed businesses, key processes and high-risk areas on the basis of enhanced daily supervision of key areas, followed by evaluation of internal control designs and implementation, as well as recommendations for improvement in respect of issues identified during the audit in effective fulfilment of the audit and supervisory functions. Meanwhile, stronger efforts have been made to drive audit rectification, confirm parties responsible for the rectification and enhance applications of audit outcomes, in order to ensure timely and effective rectification and ongoing optimization of internal governance and management control mechanism.

In addition, the "**Administrative System for Information Disclosure**" of the Group sets out procedures governing the dissemination of inside information and internal control measures in order to strengthen the confidentiality of inside information, ensuring strict compliance with obligation of confidentiality by the Directors, senior management and other related staff of the Group in the course of preparing regular reports and provisional announcements as well as organising significant events.

The Board has reviewed various reports on risk management and internal control systems through the Risk Management Committee and the Audit Committee, respectively. Regular review on the effectiveness of the Company's risk management and internal control systems, including financial control, operational control and compliance control, has been conducted and confirmation has been sought from the management as to the effectiveness of the Group's risk management and internal control systems. The aforesaid risk management and internal control systems aim at providing effective risk control through scientific and systematic risk management measures, rather than eliminating the risk of failure to achieve business objectives. Accordingly, such systems can only provide reasonable assurance but not absolute guarantee against material misstatement or loss.

Given the changes in internal and external factors, including global economic environment, business environment, regulatory requirements and business development, the Group will continuously review and improve the effectiveness of its risk management structure and review and revise its existing risk management and internal control measures on a continuous basis to further enhance the implementation and execution of its internal control system, strengthen its risk prevention capability and improve its internal control management standards.

Accountability and Audit

The Directors acknowledge their responsibility for preparing the financial statements of the Group for each financial period and confirmed that the consolidated financial statements contained herein gave a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of the consolidated financial performance and the consolidated cash flow of the Group for the Year. In preparing the accounts for the Year, the Directors, with the assistance of the management, selected the suitable accounting policies and applied them consistently, approved the adoption of all Hong Kong Financial Reporting Standards which are in conformity to the International Financial Reporting Standards, made judgements and estimates that were prudent and reasonable, and prepared the accounts on the going concern basis. Such acknowledgement should be read in conjunction with, but be distinguished from, the Independent Auditor's Report of the external auditor of the Company, Ernst & Young, in relation to their reporting responsibilities as set out in their auditor's report on pages 113 to 122 of this annual report.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's and the Group's ability to continue as a going concern. Accordingly, the consolidated financial statements are prepared on a going concern basis.

Deloitte had acted as the external independent auditor of the Company since November 2015 and retired as the auditor of the Company with effect from the conclusion of the AGM of the Company held on 2 June 2020. The appointment of Ernst & Young as the Company's new auditor was approved at the AGM held on 2 June 2020 and the re-appointment of them was also approved at the AGM held on 19 October 2021. The financial statements of the Company for the Year have been audited by Ernst & Young.

Audit fees charged by external auditor of the Group for the year ended 31 December 2021 and 2020 are summarised as below:

	2021	2020
	HK$'000	HK$'000
Audit services	**5,062**	4,621
Interim review services	**1,712**	1,616
Non-audit services (include taxation and other professional services)	**738**	2,003

Dividend Policy

The Company has adopted a dividend policy in December 2018 (the "**Dividend Policy**") setting out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the Shareholders of the Company.

The Board shall take into account the following factors of the Group when considering the declaration and payment of dividends:

- financial results;
- cash flow situation;
- business conditions and strategies;
- future operations and earnings;
- capital requirements and expenditure plans;
- interests of Shareholders;
- any restrictions on payment of dividends; and
- any other factors that the Board may consider relevant.

The Company does not have any pre-determined dividend payout ratio and there is no assurance that a dividend will be proposed or declared in any given period. The Board has the sole discretion to declare and distribute dividends to the Shareholders of the Company, subject to the Bye-laws of the Company and all applicable laws and regulations. The Board will review this policy as appropriate from time to time.

Communication with Shareholders

The Board has established a Shareholders' communication policy and posted it on the website of the Company setting out the principles of the Company in relation to the Shareholders' communications, with the objective of ensuring that the Shareholders are informed of balanced and understandable information about the Company (including the Group's strategies, businesses, major developments and financial performance) in a factual and timely manner and to enable them to exercise their rights as Shareholder in an informed manner. The Company aims to be open and transparent with its Shareholders and encourage the Shareholders' active participation at the Company's general meetings.

Information would be communicated to the Shareholders mainly through the Company's corporate communications (such as interim and annual reports, announcements and circulars), AGMs and other general meetings, as well as disclosure on the website of the Company. Interim reports, annual reports and circulars are sent to the Shareholders in a timely manner and are also available on the website of the Company. The Company's website provides the Shareholders with the corporate information.

The Shareholders are provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board through these means. In addition, the registered Shareholders can contact Tricor Tengis Limited, the branch share registrar of the Company, if they have any enquiries about their shareholdings and entitlements to dividend.

The Company's general meetings allows the Directors to meet and communicate with the Shareholders. The Company ensures that the Shareholders' views are communicated to the Board. The chairman of general meeting proposes separate resolutions for individual transactions to be considered. General meeting proceedings are reviewed from time to time to ensure that the Company complies with good corporate governance practices. The notice of general meeting is distributed to all Shareholders at least 20 clear business days (for AGM) or at least 10 clear business days (for special general meeting) prior to the meeting and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules.

The chairman of general meeting exercises his power under the Bye-laws to put each proposed resolution to the vote by way of a poll.

The procedures for demanding and conducting a poll are explained at the meeting prior to the polls being taken. Voting results are posted on the websites of the Company and the Stock Exchange on the day of the general meeting.

During the Year, the Company held one AGM. The attendance record of individual Directors is set out below.

Directors	Attendance/ (Number of Meetings Held)
Executive Directors	
Xu Xiaowu (appointed on 4 January 2021)	1/(1)
Wang Junlai	1/(1)
Non-executive Director	
Wang Qi	1/(1)
Independent Non-executive Directors	
Hung Ka Hai Clement	1/(1)
Ma Lishan	1/(1)
Guan Huanfei	1/(1)
Lam Lee G. (appointed on 1 September 2021)	1/(1)
Former Director	
Yang Rungui (resigned on 4 January 2021)	N/A

Shareholders' Rights

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An AGM shall be held in each year at the time and place determined by the Board.

Procedure for Shareholders to convene a special general meeting

Pursuant to Bye-law 58 of the Bye-laws, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the special general meeting.

Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

Procedure for Shareholders to send enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong at Unit A, 16/F & Unit A, 17/F, Two Pacific Place, 88 Queensway, Hong Kong by post or email to comsec@hrif.com.hk for the attention of the Company Secretary.

The Company Secretary is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and enquiries, to the Chief Executive Officer. Shareholders may also raise their enquiries in general meetings.

Procedure for Shareholders to put forward proposals at a general meeting

Proposals except for those nominating candidate(s) for election as Director at Shareholders' meetings can be put forward by the Shareholders holding at the date of the submission of such proposals not less than one-tenth of the paid-up capital of the Company as at the date of the submission carrying the right of voting at general meetings of the Company. The proposals must state the objects of the proposals and must be signed by the proposers. The Shareholders can submit such proposals to the Company Secretary within 3 business days after a notice of the Shareholders' meeting has been served to all registered Shareholders by the Board.

Procedure for Shareholders to propose a person for election as a Director

Shareholders may also propose a person for election as a Director, the procedures for which are available on the Company's website.

Constitutional Documents

There is no change to the Company's Memorandum of Association and Bye-laws during the Year. The latest version of the Memorandum of Association and Bye-laws of the Company are available on both the websites of the Company and the Stock Exchange.

About the Report

The Company and its subsidiaries (collectively as the "**Group**") are committed to integrating the concept of sustainable development into its strategies for development and daily operations, and publish the "Environmental, Social and Governance Report" (the "**ESG Report**") on an annual basis to demonstrate the Group's approach and performance in terms of ESG management and corporate sustainable development in FY2021. The information disclosed in this ESG Report was collected and collated through various channels, including the Group's internal policy documents and data, feedback on the Group's implementation of ESG measures, stakeholder surveys, and the relevant information about the Group sustainability practices through online questionnaires. A complete content index is provided at the end of this ESG Report for readers' convenience to check its integrity.

Reporting Boundaries

The ESG Report covers the core business of HRIF in Hong Kong from 1 January 2021 to 31 December 2021 ("**FY2021**"), including securities, corporate finance, asset management and direct investment. In view of the privatisation of Huarong Investment Stock Corporation Limited ("**HRIV**") by the Group and business integration in FY2021, the Group included HRIV in the reporting boundary of its FY2021 ESG Report based on the principle of Materiality, in order to holistically disclose its overall sustainability performance. The reporting boundary of the ESG Report and operational scope of the Group cover the operations of its headquarters in Pacific Place, the Sheung Wan branch and HRIV.

Reporting Principles

The ESG Report was prepared in accordance with the Appendix 27 Environmental, Social and Governance Reporting Guide (2021 Edition) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Guide**") and based on the four reporting principles set out in the Guide – Materiality, Quantification, Balance and Consistency.

Materiality:	The application of the principle of Materiality was reflected in how the Group effectively identified its key ESG issues and determined the scope of the report, which was crucial for the Group to formulate an effective sustainability strategy. The Group conducted a materiality assessment in FY2021 by consulting with various stakeholders on their concerns and expectations for sustainable development, and submitting the results to the leaders of the Group for review. More details can be found in the section of Materiality Assessment.

Quantitative:	In order to implement the reporting principle of Quantitative, the Group disclosed quantifiable key performance indicators ("**KPIs**") in relation to environmental and social areas in corresponding performance tables to ensure that stakeholders can deepen their understanding of the Group's ESG performance under environmental and social subjects.
Balance:	With growing demands for transparency in the society, the Group has been committed to providing its stakeholders with accurate and objective information to facilitate fairness in evaluation. Therefore, the ESG Report simultaneously revealed its outstanding achievements and rooms for improvement in terms of the Group's sustainability performance in FY2021.
Consistency:	In order to inform the decision-making process through meaningful information disclosure, the Group performed carbon calculations in accordance with the Guide and internationally recognised standards. The Group adopted consistent methodologies for data verification and collation of each financial year, which were detailed in the footnotes of each performance table that describe how data was organised and derived. Meanwhile, the Group included HRIV in its disclosure scope in FY2021, so as to fully demonstrate its performance in sustainable development as well as to facilitate meaningful comparisons.

Data Preparation

HRIF has established internal control and formal review procedures to ensure the accuracy and reliability of the information presented in the ESG Report. The ESG report was reviewed and endorsed by the Board of Directors ("**the Board**") on 28 March 2022.

Report Publication

The ESG Report are published in both traditional Chinese and English. Should there be any discrepancies between the two versions, the traditional Chinese version shall prevail.

Suggestions and Feedback

The opinions and suggestions from stakeholders can encourage the Group to develop finer and more robust sustainable development strategies in the future. Please contact the Company at ir@hrif.com.hk if you would like to make inquiries or provide suggestions on the content or format of the report.

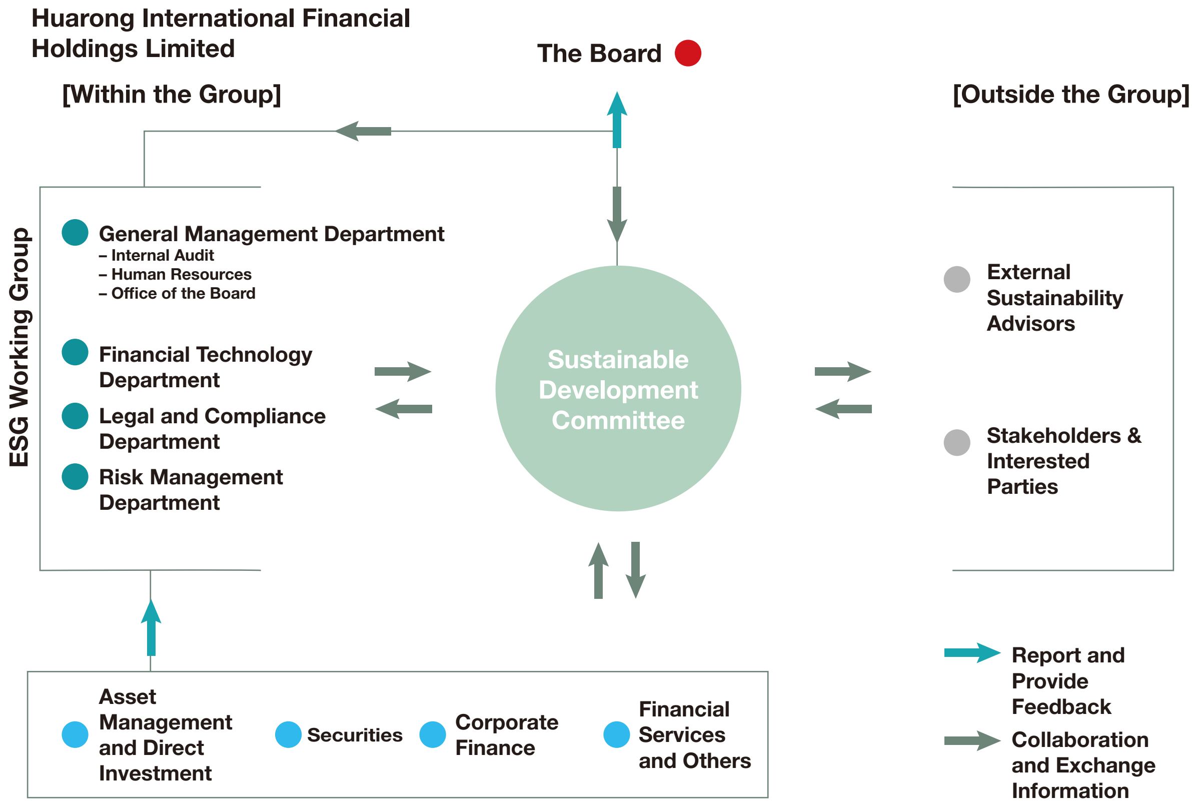
Sustainability Management Strategy

Nowadays, facing the global common challenges such as resource scarcity, ecological and environmental destruction, and climate change, sustainable development is becoming an important factor affecting economic prosperity, financial development and investment strategies in the next few decades. The development of green finance and promotion of financial market towards sustainability will also become the mainstream trend of Hong Kong's financial industry. As a Hong Kong-listed licensed company under China Huarong Asset Management Co., Ltd. ("**China Huarong**"), the Group earnestly fulfills its social responsibilities as a financial enterprise, adheres to sustainable development, and continuously strengthens bonds with various stakeholders. The Group strives to seize new opportunities in the market, develop new businesses, achieve transformation and development, and aims to provide customers with diversified financial services. In addition, the Group has actively responded to the national policies on capacity control and green development, reviewed access criterion of projects, and committed to promoting green finance and implementing sustainable development goals.

Sustainability Governance

To effectively grasp and address the opportunities and risks of sustainable development, the Group is committed to integrating the implementation and development of ESG strategies with the Group's business development visions, so as to mitigate the potential impact of its business development on the environment and society. The Group clearly recognises that a sound corporate management structure can effectively improve its sustainable development. Thus, the Group has established and continuously optimised its effective and highly transparent governance structure to implement the Group's sustainable development strategy. Among all ESG issues that are considered to be relevant to the Group's business, the Board pays particular attention to the performance in areas including the training and career development of corporate employees, the enhancement of employees' awareness of sustainable development, and the improvement of capabilities of ESG-related risks prior assessment, management and response.

The Board is responsible for leading and overseeing the implementation of relevant ESG management issues, and ensuring the effectiveness of the implementation of the Group's ESG policies. In order to effectively execute ESG policies and integrate them into corporate culture and business operations, a dedicated team appointed by the Board is responsible for the implementation and supervision. Through regular Board meetings and Sustainability meetings, the team effectively reports any updated information of material risks and opportunities to the Board. While the Board and the management have different roles to play, they must have a sufficient level of knowledge of ESG issues and keep abreast of the updates of ESG-related laws and regulations, as well as recognise the potential impact that the ESG issues may engender on the Group's business and operations. To this end, the Group entrusts professional ESG consultants to organise ESG-related training for the Board, the Sustainable Development Committee (the "**SDC**") and the ESG Working Group. This ensures that the Group's directors, relevant management teams and employees understand the development of ESG policies and the latest regulatory requirements of the Stock Exchange.



Responsibilities of the Board

As the highest governance body of the Group, the Board is responsible for making decisions on corporate social responsibility. The Group understands that the Board assumes the responsibility to guide and monitor the Group's ESG strategy and reporting, in order to drive and guarantee that the Group's development is sustainable. The Board provides opinions and plans for implementation on major ESG issues and the associated risks that it has identified, and keeps abreast of the progress of policy implementation and the effectiveness of risk management in real time from the SDC which is responsible for tracking and reporting on the performance of ESG policies. The members of the Board mainly perform their duties in the following areas:

- Overseeing the Group's strategic deployment, development direction and implementation of corporate social responsibilities in relation to its environmental and social impacts;

- Reviewing the sustainability risk management system; and

- Reviewing ESG reports annually to incorporate ESG considerations into business development and decision-making processes.

Responsibilities of the SDC

The Group's Sustainable Development Committee was established on 1 September 2021. The members and chairman of the SDC shall be appointed by the Board, while the SDC shall be chaired by an independent non-executive Director to ensure that measures in relation to various sustainability issues can be successfully implemented. The SDC is primarily responsible for:

- Reviewing the Group's vision, goals, strategies and major policies in relation to sustainable development;
- Reviewing and assessing the Group's risks and opportunities in relation to sustainable development;
- Supervising the consistency of the Group's operations and practices with the sustainable development strategy;
- Regularly evaluating the progress and work performance in achieving sustainability goals;
- Reviewing annual ESG Report; and
- Reporting to the Board from time to time on other material matters pertaining to sustainability.

In the meantime, the SDC will continue to track and manage corporate climate-related matters and make recommendations to the Board.

ESG Working Group

The Group's ESG Working Group (the "**Working Group**") is chaired by the Chief Executive Officer, with the Board Secretary being Deputy Head. The Working Group is composed of representatives from different departments of the Group, including the General Management Department, Financial Technology Department, Legal and Compliance Department and Risk Management Department. The members are responsible for the overall planning and supervision of work in environmental protection and community welfare, regularly reviewing and summarising work results, and reporting performance and work progress to the Board. The specific responsibilities are as follows:

- Formulating and implementing sustainable development strategies, policies and measures;
- Coordinating various business units to identify and manage sustainability risks;
- Reviewing the Group's sustainability performance, reporting to the Board and making suggestions for improvement; and
- Preparing annual ESG report.

Risk Management

The Group has established a comprehensive risk management and internal control system, which is supervised by the Board and regularly reviewed by the Risk Management Committee and the Audit Committee to ensure the effectiveness of risk management. The Group firmly believes that an effective and robust risk management and internal control structure is the foundation for steady development of businesses. The Group has planned a complete system process, including the regular review of client access standards and the assessment of clients' environmental performance, to ensure that its operations comply with relevant laws and regulations.

The Group adheres to legal compliance in its daily operations and is committed to abiding by all relevant laws and regulations that have a significant impact on its business operations. During the period, the Group strictly complied with, including but not limited to, the following relevant laws and regulations that have a significant impact on the business, and there were no cases of non-compliance with relevant laws or regulations.

Aspects	Relevant laws and regulations (including but not limited to)
Environment	Air Pollution Control Ordinance, Waste Disposal Ordinance, Water Pollution Control Ordinance, Motor Vehicle Idling (Fixed Penalty) Bill
Employment and Labour Standards	Employment Ordinance, Minimum Wage Ordinance, Employees' Compensation Ordinance, Mandatory Provident Fund Schemes Ordinance, Disability Discrimination Ordinance, Race Discrimination Ordinance, Sex Discrimination Ordinance
Health and Safety	Occupational Safety and Health Ordinance, Regulation on Work-Related Injury Insurances
Product Responsibility	Trade Descriptions Ordinance, Companies Ordinance, Securities and Futures Ordinance
Anti-corruption	Prevention of Bribery Ordinance, Anti-Money Laundering and Counter-Terrorist Financing Ordinance, Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) (Amendment) Ordinance 2018, Anti-Money Laundering Law of the People's Republic of China, Criminal Law of the People's Republic of China, Anti-Unfair Competition Law of the People's Republic of China, Interim Provisions on Prohibition Commercial Bribery

Board Statement

2021 was the starting year of the Group to implement its five-year business development plan, while the economy and the global market were gradually recovering from the stagnation in 2020. 2021 was also an important year when HRIF planned to develop into a professional and specialised investment bank focused on alternative investments that serves cross-border enterprises. We must do our part to actively respond to the national green development policy and promote green finance, review access criteria of projects, limit investments in conventional manufacturers with high energy consumption levels, high pollution levels, and excessive production capacity, so as to contribute to sustainable development.

Development of our ESG Strategy

Our sustainability strategy incorporates environmental, social and governance elements, striving to continuously improve the performance of the Group's operations. Meanwhile, we have always emphasised the involvement of external stakeholders. As such, we perform an annual materiality assessment to determine the priorities of the Group's business in our sustainability strategy. The feedback of stakeholders is assessed and reported to the Board for internal discussions, in order to examine the topics of greatest interest to the stakeholders. The Board is responsible for overseeing the Group's overall ESG issues, making use of diversified feedback to formulate clear and actionable strategies, and to pursue the Group's sustainable development by managing potential risks and opportunities in the Group's business operations and its value chain.

Through materiality assessment, we have identified "business ethics and anti-corruption" as one of the most important ESG issues. As an enterprise engaged in financial businesses, we regard business ethics and operation standards as the basic value of responsible operations of the enterprise. We have also laid great emphasis on the conduct and integrity of employees, and have zero tolerance to any form of corruption or fraud. To prevent corruption, bribery, extortion, fraud, money-laundering and other misconduct, we have formulated a series of anti-corruption training programmes, management measures, policies and whistleblowing mechanisms to ensure that the management and employees will not violate any laws and regulations in relation to preventing bribery, extortion, fraud and money-laundering that have a significant impact on the Group.

Looking into the Future

As global markets and economies are braced for recovering back from the pandemic fallout, we will continue to make stronger support for the development of environmental protection and clean energy industries, promoting the sustainable development of such industries. In terms of our own business operations, we are well prepared to continuously optimise our sustainability governance structure and deepen our sustainability strategy by setting more specific environmental, social and governance goals.

Stakeholder Engagement

To fully consider the opinions and balance the interests of various stakeholders when formulating operating strategies, the Group has set up the "Corporate Social Responsibility Policy" to ensure the provision of fair and timely information to its stakeholders. The Group takes an initiative to collect its stakeholders' opinions with an open attitude and actively understands how their stakeholders are affected by the Group's business on various sustainable development issues. The Group insists on maintaining long-term and stable communication with its employees, clients, investors, suppliers, regulators, community groups and other stakeholders through diversified and open channels, to understand their opinions on and suggestions for the Group, and ensure that the Group can timely understand and review potential risks and opportunities in sustainable development, prioritise various issues and formulate corresponding policies and measures.

Over the years, the Group has maintained long-term and stable communication with its stakeholders mainly through the following channels. The Group also regularly reviews and adjusts its ESG management policies to meet the needs of stakeholders.

Stakeholders	Expectations and concerns	Communication Channels
Government and regulatory authorities	– Operations in compliance with laws and regulations – Anti-corruption policies – Occupational health and safety	– Supervision on the compliance with local laws and regulations – Regular reports that disclose matters such as operating data, material transactions and inside information of the Group – Tax payments – Response to the policy paper released by governments
Shareholders	– Return on investments – Corporate governance – Compliance with laws and regulations – Information disclosure	– Regular corporate reports and announcements – Annual general meetings – Official website of the Group

Stakeholders	Expectations and concerns	Communication Channels
Employees	– Employee benefits – Career development and training programs – Healthy and safe working environment – Fulfil corporate social responsibility	– Employee performance appraisal – Regular meetings and training – Emails, notice boards, social media platforms and employee reporting mechanisms
Clients	– Product innovation – Client service – Information security	– Official website and publications of the Group – Client service hotline and email
Suppliers	– Fair and open procurement – Win-win collaboration between upstream and downstream partners – Supply chain risk management	– Open tender – Phone discussions – Face-to-face meetings and on-site visit – Regular comprehensive evaluation of suppliers
General public	– Social welfare – Harmonious development	– Social welfare activities

In response to the call of the United Nations to take action to eradicate poverty, protect the environment and ensure peace and prosperity for all, the Group actively maintains effective communication with its stakeholders, and surveys and evaluates issues in relation to the United Nations Sustainable Development Goals ("**SDGs**") of which its internal employees and external stakeholders are concerned through questionnaires, with an aim to be aligned with globally advocated sustainable development trends by formulating and implementing the plans to work towards the SDGs.

SUSTAINABLE DEVELOPMENT GOALS

- Goal 3: Good health and well-being – "Ensure healthy lives and promote well-being for all at all ages"

- Goal 4: Quality education – "Access to high-quality education is fundamental to improving people's lives and achieving sustainable development"

- Goal 7: Affordable and clean energy –"Ensure access to affordable, reliable, sustainable and modern energy for all"

Materiality Assessment

To review the operating environment and assess the opinions of stakeholders in a more systematic manner, the Group adheres to taking the principle of Materiality as the basis of its ESG management, and performs an annual review to determine the main concerns and interests of its stakeholders on ESG matters. In FY2021, the Group entrusted an independent third party to conduct a stakeholders survey and materiality assessment. The Group invited its identified key stakeholders, including the Board and senior management, employees and suppliers, to participate in a survey, in which the stakeholders expressed their views on an inventory of corporate ESG management and ESG-related issues. Specifically, the questions in the questionnaire covered various aspects such as corporate environmental impact, employment, supply chain management model, product responsibility control, implementation of anti-corruption policies, community investment, leadership and governance, etc. The Group mapped the survey results into a materiality matrix as shown below, which was reviewed by the Board as the Group's materiality assessment results for FY2021. The outcome can facilitate the Group to identify the ESG issues that are critical to the business and stakeholders and ensure the consistency with the Group's sustainability management approach, thereby building effective business management.

1	GHG Emissions	15	Preventing Child and Forced Labour	29	Product Design & Lifecycle Management
2	Air Pollution	16	Labour Practices	30	Access & Affordability
3	Energy Management	17	Green Procurement	31	Business Ethics & Anti-corruption
4	Water & Wastewater Management	18	Communication and Engagement with Suppliers	32	Internal Communication & Grievance Mechanism
5	Solid Waste Stewardship	19	Environmental Risk (e.g. pollution) Management of Supply Chain	33	Community Engagement
6	Materials Management	20	Social Risk (e.g. human rights or corruption) Management of Supply Chain	34	Participation in Philanthropy
7	Land Use, Ecosystem and Biodiversity	21	Supply Chain Materials Sourcing & Efficiency	35	Cultivation of Local Employment
8	Climate Change Mitigation & Adaptation	22	Health and Safety Relating to Products/Services	36	Local Environmental Protection
9	Packaging Material Management	23	Customers Welfare	37	Support of Local Economic Development
10	Renewable and Clean Energy	24	Marketing and Promotion	38	Business Model Adaptation and Resilience to Environmental, Social, Political and Economic Risks and Opportunities
11	Diversity & Equal Opportunity	25	intellectual Property Rights	39	Management of the Legal & Regulatory Environment (regulation-compliance management)
12	Employee Remuneration and Benefits	26	Product Quality	40	Critical Incident Risk Responsiveness
13	Occupational Health and Safety	27	Customer Privacy and Data Security	41	Systemic Risk Management (e.g. Financial Crisis)
14	Employee Development and Training	28	Labelling Relating to Products/Services		

Stakeholder Engagement Materiality Matrix

Through this materiality assessment, the Group identified "Business Ethics & Anti-Corruption", "Internal Communication & Grievance Mechanism" and "Customer Privacy and Data Security" as its critical ESG issues. The survey was also helpful for the Group to prioritise and allocate more resources to the research with respect to the corresponding sustainability issues. In response to the concerns of stakeholders, the Group elaborates in this ESG Report the policies, measures and performance related to the material issues identified during the year under review.

Social Sustainability

Safeguarding Employees' Rights and Benefits

Adhering to the people-oriented philosophy, the Group is committed to establishing a relationship of equality and mutual trust with its employees, providing them with a suitable and stable working platform, so as to promote the Group to advance towards success and to maintain its long-term development, while enabling its employees to realise their own values. The Group clearly stipulates the requirements and commitments to employees in the "Employee Handbook", to effectively protect their labour rights and interests, such that all employees can develop their strengths and drive the team forward.

Employment Management and Labour Standards

The Group has established the following series of policies and management measures related to recruitment and promotion, compensation and dismissal, working hours and rest periods, equal opportunities and anti-discrimination, diversity, other welfare and benefits, labour standards and management systems. In accordance with the relevant policies and management systems, a number of measures have been strictly implemented to ensure that the rights and interests of employees are fully protected. All employees can consult relevant policies and management systems at any time to understand their rights, benefits and responsibilities.

Aspects	The Group's employment and labour system
Recruitment and promotion	The Group has formulated a set of transparent and clear recruitment management procedures, and made clear specifications for the work and guideline for arrangements of job interviews and general capability. The employees who have been recruited are required to enter into an employment contract, which stipulates the probationary period and the arrangements for termination of the contract to ensure that both parties are clear about their rights and responsibilities. Meanwhile, with regard to its employee grading system, the Group's management is based on a "Triple Fixed system", namely "fixed posts", "fixed grades" and "fixed duties" to determine the positions required by the Group, the corresponding number of employees required, and the job responsibilities and clear division of labour to avoid duplication of functions, thereby improving the efficiency of human resources management. The Group focuses on its employees' development and adopts a grading system. Comprehensive assessments of its employees' abilities and performance are also conducted at certain timepoints such as before the end of the probationary period, at each quarter end and year end, so as to perform employee evaluations and review their compensation plans. The Group offers promotion opportunities to the employees who meet the Group's business development requirements, and organises employees with poor assessment results to enter the "flow pool" for training and study.

Aspects	The Group's employment and labour system
Compensation and dismissal	The Group continuously reviews its compensation structure and related management systems, and makes reasonable adjustments to corporate compensation plans in accordance with market benchmarks and employees' performance. The Group adjusts the salaries of employees based on the operating performance of the previous year, employees' working attitudes, attendance records and market indicators, etc., and strictly maintains the confidentiality of employees' salary information according to the policy of "Wage Information Confidentiality". In the meantime, the Group implements the resignation procedures in accordance with the Employment Ordinance, employment contracts and relevant internal management measures in relation to resignation to protect the rights and interests of both employers and employees. Any employment or termination of employment contracts of the Group shall be based on reasonable grounds and strictly enforced in accordance with internal policies. Employees must give 30 days' notice in advance and submit a written request to terminate the employment contract. Before the termination or rescission of the employment contract, the employee is required to undergo an exit audit. Employees who have violated the Group's employment policy will be warned verbally by the Group before a written warning is issued. For employees who have repeatedly made the same mistakes despite being educated, had serious unethical violations and violated the Prevention of Bribery Ordinance, or committed other acts of corruption and dishonesty, the Group will terminate their employment contracts in accordance with relevant national laws and regulations. In FY2021, the Group's total employee turnover rate was 49.2%. For more information on employee turnover by age groups, gender and geographic locations, please refer to Appendix – Performance Tables – Table 1.

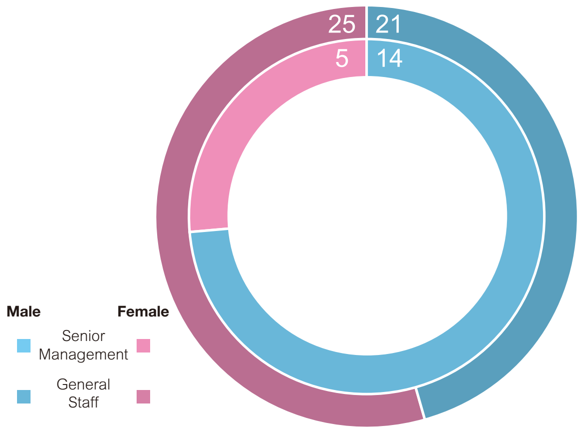
Aspects	The Group's employment and labour system
Working hours and rest periods	The Group stipulates the working hours and leaves system of general employees and full-time employees (including employees of branches and securities support departments) in its "Employee Handbook". The Group strictly examines the attendance and working time of its employees, and establishes relevant reward and punishment systems. In addition to basic paid annual leave and statutory holidays, employees are also entitled to additional paid leave benefits, such as marriage leave, maternity leave and bereavement leave. Before taking vacations, employees must make applications in advance according to the prescribed procedures and obtain the signature and approval of their supervisors before the application comes into effect.
Equal opportunities and anti-discrimination	As an equal opportunity employer, the Group is committed to promoting anti-discrimination and equal opportunities in all human resources and employment decisions to foster a working environment with fair competition, mutual respect and diversity. Therefore, the Group earnestly implements the compensation system of equal pay for equal work, and regularly reviews its relevant performance and effectiveness. The training and promotion opportunities, dismissal and retirement policies of all business units of the Group are irrespective of the employee's age, gender, marital status, pregnancy status, family status, disability, race, colour, ancestry, national or ethnic origin, nationality, religion or any other non-job-related factors. The Group clarifies the legal definitions and handling procedures of sexual harassment in the Employee Handbook. In the meantime, the Group has also formulated a whistleblowing policy for employees to report any incident of suspected discrimination to the department head or the General Management Department. The General Management Department will thoroughly investigate, deal with, keep confidential of and take any necessary disciplinary action against the responsible ones.
Diversity	The Group respects and understands the needs of employees of different genders, cultures and backgrounds, and is committed to providing them with a diverse working environment. The Group will continue to provide a diverse working environment for its employees.

Aspects	The Group's employment and labour system
Other welfare and benefits	The "Wage Management Measures" formulated by the Group regulates compensation, employee performance management and dividend distribution plans. In addition to the existing dinners for the ones who work overtime, housing allowances, medical subsidies, transportation allowances and holiday welfare, the Group also provides pandemic prevention allowances to protect the wellbeing of employees.
Labour standards and management systems	In FY2021, the Group complied with the Employment Ordinance and other relevant labour laws and regulations in Hong Kong. The Group aimed to combat illegal employment related to child labour, underage workers and forced labour. The Group adopts a zero-tolerance approach to child labour and forced labour, and has formulated recruitment management procedures and the Employee Handbook in accordance with relevant laws to ensure that the Group's General Management Department verifies the valid identification documents and other age proof records provided by all applicants, in order to verify that the applicant can be legally employed before establishing the labour relations. Meanwhile, the Group also signs employment contracts with all employees that clearly state the terms of employment, to ensure that employees are employed voluntarily. Once the Group discovers any violation of labour standards, the relevant employment contracts will be terminated immediately, and the relevant responsible colleagues will also be investigated and disciplined accordingly.

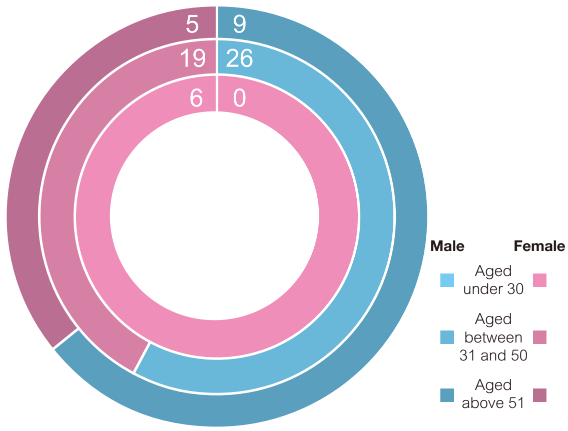
In order to further improve the human resources management system and information management, the Group has formulated the "HRIF Wage Management Measures" and the "HRIF Work Discipline Management Measures", and used the electronic information system to process employee work assessment and salary management and annual tax documents, thereby enhancing the efficiency of human resources management, guaranteeing the accuracy of information and protecting the privacy of employees' personal data.

As of 31 December 2021, the Group had a total of 65 employees, including 35 males and 30 females, who were all full-time employees. For more information on the classification by employee age, gender, employment types and geographic locations, please refer to Appendix – Performance Tables – Table 2.

Distribution of the Group's employees by gender and job positions



Distribution of the Group's employees by gender and age



In FY2021, the Group was in compliance with relevant laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, welfare and other benefits that have a significant impact on the Group.

Safeguarding Employees' Health and Safety

Protecting the health and safety of employees is the foundation of the Group's steady development. In FY2021, the Group actively fulfilled its commitment to safeguarding the health and safety of employees in accordance with the Employee Handbook and the Corporate Social Responsibility Policy, and strictly complied with relevant laws and regulations in Hong Kong, including the Occupational Safety and Health Ordinance and the Regulation on Work-Related Injury Insurances. During the year under review, in order to cultivate and enhance employees' awareness of fire safety management and occupational safety, the Group strictly implemented its internal safety and health policies, such as "Emergency Management Policy", "Onsite Safety Policy" and "Fire Safety Policy". Further, the Group organises employee safety training, emergency drills and fire drills every year to enhance employees' knowledge of occupational hazards, improve employees' ability to deal with various unexpected emergencies, and enable employees to perform safety protection work in a timely manner. In addition, the Group also regularly undertakes safety inspections on fire equipment in the workplace to ensure its safety.

The Group's current business operations mainly involve office operations. Therefore, the Group has equipped all employees with high-quality and safe equipment for work, and placed a medicine box in the office with sufficient first aid supplies. Meanwhile, the Group arranges special personnel to clean and disinfect the office every day to keep the workplace clean. Air purifiers are also installed in the office to improve indoor air quality. To further protect the health of its employees, the Group purchases medical insurance and life insurance for its employees.

The Group recorded zero work-related fatalities in the past three years, including this reporting year. In FY2021, the Group's recorded zero lost working days of employees due to work-related injuries. For more information on the Group's number of work-related injuries or fatalities, lost days and work-related fatality rate for the last three financial years, please refer to Appendix – Performance Tables – Table 3.

In terms of providing a safe working environment and protecting employees from occupational hazards, the Group has not violated any relevant laws and regulations in relation to providing a safe working environment and protecting employees from occupational hazards that have a significant impact on the Group. The Group has placed emphasis on the mental health of employees, encouraging its employees to balance work and life. The Group actively arranges recreational activities so that employees can relax in their spare time. In the future, HRIF will take more initiative to understand the needs of employees and provide timely support and assistance.

Pandemic Prevention and Control

During the recurrent pandemic in 2021, the Group paid special attention to preventing the potential spread of virus in the workplace to protect the health and safety of employees. To this end, the Group has divided pandemic prevention and control, and business operations into five stages according to the Disaster Recovery Plan:

1. When the overall local pandemic is well controlled with only sporadic cases: all departments operate as usual, while employees are required to wear masks in the office area;

2. When the local pandemic breaks out: according to the pandemic condition, employees will be arranged to work in shifts. Employees who need to return to the office must notify the Company in advance and undergo testing in advance. Admiralty headquarters will arrange 2 employees and 1 responsible supervisor to work on-site, while in Sheung Wan branch, 4 employees are arranged to work on-site;

3. When the pandemic continues to spread in the community and the Sheung Wan branch is closed due to the pandemic: staff working in shifts of the Sheung Wan branch will work at the Admiralty headquarters during the week. The Client Service Department will issue a notification on the official website to remind clients of branch lockdown;

4. When the pandemic continues to spread in the community and employees are diagnosed or judged to be close contact: the Group will promptly report to the government and the property where the office is located, count whether the employee has returned to the Company recently, and immediately arrange the employee and its close contacts to work from home and self-isolate for 14 days. In the meantime, Sheung Wan Branch maintains a minimum of 2 employees working on-site;

5. When the pandemic continues to widespread on a large scale in the community, and there are confirmed cases in the living buildings of many employees, or the Sheung Wan branch and Admiralty headquarters are closed due to the pandemic: at this time, 3 traders will work from home to place orders by phone with limited services provide.

In addition, the Group has conducted a risk assessment and formulated a series of measures to actively respond to the anti-pandemic measures of Hong Kong government, including:

- Distributing masks to employees during the pandemic every day, and distributing disinfection items and related subsidies regularly;
- Implementing work in shifts, arranging colleagues who have been diagnosed with those living in the same building to work from home and participate in remote meetings;
- Requiring all employees in the office to wear masks and reduce unnecessary travelling;
- Providing hand sanitizers, disinfectant sprays, etc. for employees to use throughout the Company, and strengthening the disinfection measures and frequency of disinfection in office areas to reduce the possibility of virus transmission;
- Undertaking registration and mandatory temperature checks for visitors;
- Encouraging employees to be vaccinated, and collecting employees' health and vaccination status.

Employees' Development and Training

The Group regards employees as one of its most important assets, and continues to allocate resources to providing employees with opportunities for development and training, as well as to promoting talent education. In addition, the Group actively improves its training system, aiming to provide diversified vocational training programmes to its employees. In order to meet the development needs of business and employees, the Group offers appropriate training programmes for new employees and experienced employees in accordance with the "Management Measures for Employee Training", including the induction training for new hires, professional training and management training for on-the-job employees. To encourage employees to actively enrol in degree courses and various types of professional qualification training in their spare time, so as to improve their own business skills and competitiveness, the Group has formulated the "Incentive Measures for Part-time Study and Learning of Employees" to provide those who have successfully obtained professional qualifications or relevant certificates with study bonus allowances.

To enhance employees' working ability and promote their career development, the Group will formulate multi-dimensional training content according to the current market conditions and the Company's business development, while coordinating with various departments to organise and design training courses and teaching materials, as well as organising a series of special training and lectures in relation to business, legal, compliance, finance, risk management, corporate governance and information technology etc.

In FY2021, the Group arranged a total of 26 training sessions for 65 employees with a total duration of 118.5 hours. The Group attaches great importance to the training and career development of its employees, with its overall training participation rate reaching 100% during the year under review. Given that the Group reorganised its corporate structure in FY2021, the human resources experienced dramatic changes. In addition, the data collection system has not yet been perfected in FY2021. Therefore, the Group face challenges in categorising its training data and is not able to provide the percentage of trained employees, the total training hours and training hours per capita under specific categories. The Group is committed to improving the data collection system in the next financial year and undertakes more detailed classifications on the actual number of participants in each training course, so as to make a full disclosure in the ESG report next year.

Legal and Compliance Training

Strengthen the understanding of employees on business code of conduct, disclosure of interests and regulations of offshore fund

Data Security Training

Enhance the awareness of employees on safety-related issues of licensed listed companies

Anti-corruption training

Deepen the understanding of employees on misconduct and instil the knowledge of anti-money laundering and terrorist financing

Corporate Governance Training

Enhance the levels of corporate governance professional knowledge and risk management

Other training

Strengthen the Board's understanding of new ESG regulatory requirements and improve staff's professional knowledge as well as level of internal audit

Dedicating in Operation Compliance

As the Group understands that a responsible operation is vital for financial service providers, the Group adheres to strict standards of business ethics and regards it as its primary operation purpose, as well as requires employees to treat customers, suppliers and other stakeholders with integrity, respect and professionalism. The Group has also formulated a series of measures and policies to maintain a fair and just market, and to ensure the quality of products and services provided by the Group as well as the integrity of its employees.

The Group requires its employees to perform regulated financial business in strict compliance with legal requirements, abide by the "Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission", and prohibit market misconduct such as insider trading, false trading and price manipulation. In order to ensure that employees fully understand the relevant regulatory requirements, the Group has formulated the "Compliance Manual", providing employees with relevant guidelines for sales and promotion activities. Employees are strictly prohibited from providing false, deceptive or misleading information to clients to ensure that all clients receive compliant and professional services. During the year under review, the Group provided employees with training on employee responsibilities and marketing techniques to deepen their understanding and practices of responsible marketing. If there are conflicts of interest, business ethics, etc. involved in the regulation of employees or business operations of the Group, the Legal and Compliance Department will be responsible for follow-up investigation and handling. Moreover, the Legal and Compliance Department is also responsible for collecting and consolidating the investigation information of the SFC, publishing it in chronological order and providing web links for employees as reference. In addition, the Group strictly implements the Chinese Wall policy to prevent "insider trading" information from being improperly circulated within the Group or being improperly used by different departments in business transactions.

Anti-corruption

The Group upholds the highest standards of business ethics and does not tolerate any form of corruption or fraud. The Group is committed to achieving the highest standard based on openness, integrity and accountability, and actively identifying and managing relevant risks. The Group has formulated a series of policies and guidelines on the prevention of bribery, extortion, fraud and money laundering in accordance with the relevant laws and regulations of the places where it operates, requiring employees and business partners at all levels of departments to avoid any misconduct.

To ensure that all employees of the Group effectively implement the Group's requirements and policies in preventing bribery, the Group has formulated the "Employee Handbook", "Accepting or Offering Gifts and Benefits Guidelines" and other relevant guidelines in accordance with the "Prevention of Bribery Ordinance" to regulate employees' behavior and put an end to any bribery. The Group requires that all employees strictly stick to professional ethics, including:

- Forbidden the use of authority or permission in positions to obtain or influence others to take any action for personal or indirect interest;
- Employees shall prevent, identify and deal with any actual or suspected bribery or corruption; and
- Fill out the "Application for Gift Giving Form" and declare to the Company directors in writing to avoid conflicts of interest.

The Group has formulated the "Internal Procedures on Prevention of Money Laundering and Terrorist Financing", providing employees with guidance on preventing money laundering when providing services to clients. The policy clearly sets out the requirements for record filing, training, etc. In FY2021, the Group held anti-corruption themed training for all employees of the Company to enhance their awareness of and sensitivity to crimes such as corruption and money laundering.

The Group emphasizes the adherence of employees to the professional code of conduct and has strictly formulated the "Whistleblowing Policy", which stipulates that employees, clients, suppliers, shareholders and other stakeholders who discover any inappropriate behavior or fraud within the Company can report in person, through phone calls, mail, complaint mailbox or email on suspected violations. The Audit Committee of the Board is responsible for overseeing and reviewing the implementation of the whistleblowing system and making recommendations on investigation measures for any whistleblowing.

In FY2021, the Group has not recorded any concluded legal cases regarding corrupt practices brought against the Group or its employees, and the Group has not violated any relevant laws and regulations in relation to the prevention of bribery, extortion, fraud and money laundering that have a significant impact on the Group.

Supply Chain Management

The Group believes that a healthy and stable supply chain is crucial to maintaining the quality of products and services, and promoting the overall sustainable development of the Group. Therefore, the Group focuses its efforts on supplier management, and manages environmental and social risks along the supply chain by formulating the "Procurement Management Measures", which clearly sets out the procurement principles, procurement methods and clear requirements for supplier selection. The Procurement Department of the Group determines the procurement price through various methods such as bid invitation purchase, inquiry purchase and targeted procurement, and establishes an appropriate procurement approach according to market supply and demand as well as procurement plans. When making large purchases, the relevant departments need to follow up the procurement progress and determine whether to use the tender approach. The Procurement Department continuously evaluates the performance against criteria such as supplier operation management and compliance, industry qualifications, and the quality of products and services provided, and maintains close contact and interviews with suppliers to ensure that the supplier selection process is legal and in compliance with regulations, as well as to reduce potential social and environmental risks along the supply chain.

To prevent and manage environmental and social risks in the supply chain, the Group requires that its suppliers abide by all relevant local and national laws and regulations to avoid unethical business practices. Supplier are required to provide international accreditations including Environmental Management System and Occupational Health and Safety Management System, to ensure that they adhere to the corporate ethical standards, thereby lowering environmental and social risks in the supply chain and protecting the rights and interests of all parties. Suppliers that fail to meet the standards will be put on the blacklist by the Group. In order to ensure the quality of services and products provided by suppliers, and to effectively manage and select new and existing suppliers, the Group performs annual performance evaluation and checks on the conflict of interest with its suppliers. For instance, when selecting suppliers for canteens, different suppliers are invited to provide sample dish for tasting and evaluated by colleagues, based on which suitable suppliers are selected for cooperation, while the cooperative relationship with the suppliers that fail to meet the standards will be terminated.

The Group integrates the concept of green procurement into the daily implementation of office policies, so as to reduce the impact of supply chain management process on the environment. During the procurement process, the Group tends to purchase and select products and services that have the minimal impact on the environment. For instance, to lower its carbon footprint, the Group prioritises local suppliers or suppliers who are closer to the Group in terms of geographical locations during decoration, and chooses decoration products such as LED lights which have minimal environmental impact. When choosing the suppliers for providing office supplies, the Group gives priority to the suppliers who provide products such as eco-friendly paper.

During the year under review, the Group had a total of 19 suppliers in mainland China, 74 suppliers in Hong Kong and 11 overseas suppliers, providing the Group with meals, office supplies, office equipment and information technology products respectively. The supplier management policies aforementioned cover almost all major suppliers of the Group and are implemented by the Procurement Department. The management is responsible for monitoring the effective implementation of policies regularly.

Product Responsibility

As a licensed company, the Group is committed to providing high-quality services to its clients when providing corporate finance services regulated by regulators. To this end, the Group has set up a relevant review process to understand the conflicts of interest and independence requirements of its clients, which need to be approved by the Compliance Department and the management. The Group has built the Transaction Selection Committee and Due Diligence Oversight Committee to monitor the quality of project approval and conduct due diligence. The relevant individuals responsible for licenses in departments will also supervise the relevant process. The Group has set up a dedicated Client Service Hotline and Client Service Mailbox to timely provide clients with assistance and services, in order to ensure that operational problems can be resolved efficiently for clients. In addition, the Group also provides risk disclosure and privacy policies to new clients of securities companies during account opening, to ensure that clients are aware of securities-related transaction risks and information disclosure risks.

Client Feedback and Complaint Handling

The Group regards clients' opinions and suggestions as the cornerstone of its continuous development. In order to improve the quality of products and services, the Group has established a client complaint channel and followed the standard procedures for handling clients' complaints in accordance with the "Compliance Manual", providing its employees with structured work procedures for handling clients' complaints. Once any complaint is received, the Group will make investigations on its employees according to its specific content and internal codes, record and properly handle the complaints received, and formulate and implement the "Improvement Control Procedures". The office will reply to the client who has filed the complaint regarding the progress of the investigation or the handling outcome.

Advertising

The Group holds a stance on maintaining high integrity and highest professional ethics in its operations. The Group has issued internal procedures such as the "Compliance Management Process and Investment Banking Department Business Operation Manual" to ensure that its marketing data is accurate and complies with local laws and regulations, including the Advertising Law of the People's Republic of China. The Group strictly prohibits any false or exaggerated descriptions of products and services. If an operation or service is found not to meet the standards of internal procedures, the Group will take immediate corrective actions to adjust and coordinate the operating plan.

Data Security and Privacy Issues

To protect personal information assets including confidential information and personal data, the Group clearly stipulates the importance of personal privacy in the Employee Handbook, and has formulated the Compliance Manual that clarifies the methods and procedures of collecting and processing clients' personal information. In order to protect the privacy of clients, the agreements signed between the Group and its clients set out the terms including information security and confidentiality of personal data, so as to ensure that the clients understand the purpose of the collection of personal data and the confidentiality responsibility of the Group. All personal data of clients collected by the Group in the course of business are regarded as confidential, and only a few authorised personnel can access the information. It is strictly prohibited to provide client's information to third-party vendors without the client's authorisation. Meanwhile, the Information Technology Department of the Group will improve the firewall of the Company's computers to reduce any risk of data leakage.

Intellectual Property

To safeguard and protect its own intellectual property rights, the Group actively applies for appropriate intellectual property rights for the new trademarks or labels that it has developed, and arranges in-house legal personnel and hires legal consultants to provide legal advice on intellectual property protection and prevent the infringement upon intellectual property rights. In the meantime, the Group also requires employees to sign confidentiality agreements for commercial and technical intellectual property rights to avoid any infringement on the Group's intellectual property rights.

Product and Service Innovation

To implement the Group's financial technology strategy, comprehensively advance digital transformation and give full play to the supporting role of financial technology in the Group's licensed business, the Securities business segment and the Financial Technology Department establish the Financial Technology Product Centre to promote the synergistic development of licence type 1, 6 and 9. In addition, the official Huarong Online Trading mobile App (華融財富通) of the Securities business has been completed, which greatly shortens the time for online account opening, transfer and deposit, and controls the time in key aspects through instant completion of identity verification, completion of the verification of account opening documents within 48 hours, etc. This iterative upgrade has shortened the gap between clients and top securities firms and optimised client experience. It has also laid a solid foundation for further redirecting and getting clients online, meanwhile, also laying a functional foundation for the next step to build a wealth management mall of Equity, Bond and Fund and an integrated comprehensive wealth management account offline.

Since product recall is not applicable to the Group, this ESG Report does not cover nor disclose relevant information. In FY2021, the Group did not have any recalls of sold products/services, nor received any substantive complaints. In FY2021, the Group was not in violation of any relevant laws and regulations regarding health and safety, advertising, labelling and privacy matters of its products that have a significant impact on the Group.

Community Investment

As the market pays more and more attention to corporate social responsibilities, the Group has invariably kept in mind over the years its mission of giving back to the society and committed to fulfilling its corporate social responsibilities, while conveying its love for the society through practical actions. The Group pays close attention to the connection with the communities in which it operates, and has formulated the "Corporate Social Responsibility Policy" to make a commitment to caring for the society. The Group encourages its employees to actively participate in activities such as volunteer services and fundraising activities in their spare time, so as to contribute to the communities in which it operates. However, under the recurrent pandemic, the Group was unable to hold or participate in community public welfare activities during the year under review. In the future, the Group will continue to focus on the needs of communities where it operates, gain a deep understanding of the needs of all sectors in the society, and carefully select the key areas for community investment in its contributions, so as to send warmth and positive energy to those in need, thereby promoting the sustainable development of society.

Environmental Sustainability

In order to pursue the long-term sustainable development of the environment and communities in which the Group operates, HRIF adheres to fulfilling its corporate social responsibilities and strictly controls the impact on the environment, natural resources and climate change during business operations. The Group formulates its Environmental Policy with reference to the UNEP Statement by Financial Institutions on the Environment & Sustainable Development, striving to minimise the impact of its operating offices on the environment and natural resources. Meanwhile, the Group is equally concerned about its positive and negative impacts on the environment or social development through its supply of funds and resource allocation as a financial institution. As such, the Group has formulated strict access restrictions to manage the enterprises and industry-related investments that have adverse impacts on the environment or social development. To continuously improve its environmental management system, the Group regularly and accurately records and reports its environmental data, such that each unit can review the effectiveness of the current environmental management measures from time to time, thereby further discussing and formulating work plans for improvement.

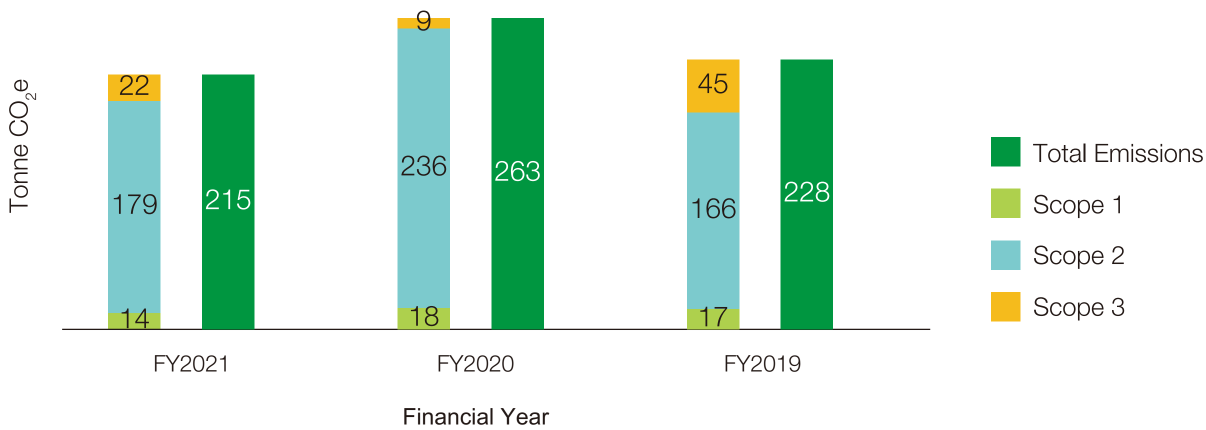
Emissions

As an enterprise engaged in financial business, the Group's emissions mainly come from electricity consumption in offices, business air travel and company vehicle use. In order to reduce the impact of business travel on the environment, the Group strictly implements the "Vehicle and Driver Management Regulation", requiring employees to minimise business travel. All employees must apply for vehicle use in advance, and only after approval can they use the company vehicles. Employees who are responsible for delivering documents must take public transport. In addition, the Group also requires that company vehicle users plan the delivery route in advance and turn off the engine when parking, so as to lower the exhaust gas emissions, the energy consumption and in turn reducing vehicle-related emissions. To minimise the emissions of relevant greenhouse gases ("**GHGs**") at source and reduce the risk of GHG emissions in daily operations, the Group has set up and implemented its internal policies. The specific policies will be further illustrated in the subsections of "Electricity" and "Paper" below.

Air and GHG Emissions

In FY2021, the Group's Scope 3 emissions increased significantly by 144.44% compared to previous year, mainly due to the ease of the pandemic during the year under review and the pursuit of more business collaboration opportunities that resulted in the increasing frequency of business air travel, while in FY2020, there was no business air travel. Meanwhile, the total GHG emission intensity in FY2021 decreased by 32.09% compared with the previous financial year, in which the Group's Scope 1 and Scope 2 GHG emission intensities were effectively controlled with a drop of 35.38% and 36.99% respectively compared with the previous financial year. For more detailed information on the different categories of emissions, please refer to Appendix – Performance Tables – Table 4.

GHG emissions in various financial years



Wastewater

The wastewater discharged from the headquarters and Sheung Wan branch is collected and treated by the property management companies, which accurate data cannot be provided. In the meantime, given the nature of business and the way of operations, the Group mainly discharges harmless commercial wastewater. Therefore, according to the principle of Materiality, the amount of the Group's wastewater discharge is not disclosed. Nevertheless, the Group understands that the amount of wastewater is closely related to the amount of freshwater consumption. In order to reduce waste of resources, the Group has implemented a series of measures to reduce water consumption during operations. The specific policies are further detailed in the subsection "Water" below.

Solid Waste and Others

Most of the solid waste generated by the Group is non-hazardous waste from offices, which are mainly commercial solid waste generated by employees at work. In order to manage waste more effectively, the Group has adopted a variety of measures, such as launching recycling programs to classify and recycle waste paper, batteries, plastic bottles, coffee grounds and other common waste from offices. The Group also plans to quantify and report the recycling results in the future to review the effectiveness of these measures. To ensure that all non-hazardous and hazardous wastes are properly disposed of, the Group entrusts the property management company to collect and dispose the non-hazardous office wastes, and employs qualified recycle organisation to handle the waste toner cartridges, waste batteries and other hazardous wastes. During the year under review, the Group recycled a total of 15 waste toner cartridges and 32 waste fluorescent tubes.

Actions to Reduce Emissions

Aspects	Targets	Practices and actions
Air Pollutants	While the Group has not yet set quantitative targets for emission reductions or waste reductions, the Group has established the Sustainable Development Committee in September 2021, which will carry out the work of plan formulation and target setting for future sustainable development of the Group.	The Group requires employees to reduce the number of unnecessary business trips and try one's best to travel by public transport.
GHG Emissions		The Group advocates electricity conservation in its daily operations and formulates a series of measures to reduce unnecessary electricity consumption in order to reduce GHG emissions.
Waste Management		The Group encourages its business units to recycle various materials, and promotes a "foodwise" culture to lower the food waste generated by employees, thereby reducing emissions.

In FY2021, the Group was in compliance with and was not in violation of any laws and regulations concerning air and GHG emissions, discharges into water, generation of hazardous and non-hazardous wastes, etc., that have a significant impact on the Group in daily operations.

Use of Resources

In FY2021, the main resources consumed by the Group were electricity, paper and gasoline. Aiming at saving and rationally using resources, the Group actively implements a number of measures to reduce resource consumption, and encourages recycling to reduce the waste of resource. For a more comprehensive review of environmental performance and a systematic analysis of the relevant resource consumption data and the effectiveness of measures by year and operating unit, the Group has expanded the scope of resource use records to all operating units. During the year under review, due to the nature of the Group's operations, the Group did not consume any packaging materials, as such it is not disclosed in this ESG Report. For more detailed information on the total consumption of the Group's major resources, please refer to Appendix – Performance Tables – Table 5.

Electricity

The Group's electricity consumption mainly comes from offices and lighting for daily operations. All businesses of the Group have complied with the relevant laws and regulations and electricity conservation policies. The electricity consumption intensity of the Group in FY2021 was 3.88 kWh'000/employee, which was significantly declined by approximately 32.47% as compared to FY2020. In order to further reduce electricity consumption and thus its GHG emissions, the Group has integrated "electricity saving" into its daily operations to improve electricity efficiency, and has particularly implemented the following measures:

- Turn off lights, air conditioners and other electrical appliances that are not in use;
- Regularly clean and maintain electrical equipment in offices (such as air conditioners and shredders) to keep their efficiency;
- Replace energy-intensive lights or equipment with LED lights or other energy-efficient products;
- Use more energy efficient appliances, such as appliances with higher energy label ratings; and
- Set the time limit for the automatic lighting system to turn off the lights during non-working days or non-working hours automatically.

Water

The water used by the Group comes from municipal supply and is under the unified control of the property management company. As such, the Group could not get any specific consumption data, and did not encountered any problems in sourcing water that was fit for its purpose. The Group strives to reduce water consumption during operations and improve the efficiency of water use. In order to improve employees' awareness of water conservation, the following measures have been implemented:

- Post "Water Conservation" notices in prominent places in offices to promote water conservation among employees;
- Arrange special personnel to maintain water equipment regularly to avoid the waste of water resources;
- Educate employees on water conservation;
- Immediately repair dripping water faucets; and
- Install water filters and enhance water reuse.

Paper

Given the nature of the Group's business, paper is one of major resources that the Group consumes. The Group's paper consumption intensity in FY2021 was 40.62 kg/employee, which rose by approximately 13.93% as compared to that in FY2020. The rise was mainly due to the expansion of the business units that were covered in the Group's reporting scope, which led to an increase in its resource consumption accordingly. In order to further reduce the paper consumption and thus lower GHG emissions, the Group actively promotes paperless office and the concept of "saving paper" to reduce paper consumption during business operations. During the year under review, the Group actively and strictly implemented the following measures:

- Promoting paperless office, reducing printing and publishing information by email or electronic bulletin board;
- Encouraging employees to reuse paper or use environmentally friendly paper for printing;
- Setting the default printing mode of printers to be double-sided;
- Encouraging guests to use electronic invoices instead of physical invoices; and
- Providing waste paper recycling boxes beside photocopiers to collect single-sided printing paper for reuse.

Gasoline

The Group encourages its employees to take public transport to travel between different property buildings as much as possible during work, so as to lower the impact on the environment and natural resources. During the year under review, the Group's vehicles consumed a total of approximately 51 kWh'000 of gasoline, which was approximately 21.54% less when compared to the consumption in FY2020. To optimise the utilisation of resources, the Group is going to strengthen the implementation of the following measures:

- Enhancing the awareness of employees on energy conservation and emission reduction;
- Educating drivers to maintain good driving habits, including turning off the engine when parking and not braking or accelerating suddenly; and
- Checking the vehicle regularly to ensure good condition and work efficiency.

Actions to Save Energy

Aspect	Target	Practices and Actions
Energy Efficiency	While the Group has not yet set quantitative targets for emission reductions or waste reductions, the Group has established the Sustainable Development Committee in September 2021, which will carry out the work of plan formulation and target setting for future sustainable development of the Group.	The Group strictly implements measures such as saving electricity and water.

The Environment and Natural Resources

With the growing expectations of human beings on corporate responsibility, sustainable development is become the trend of development in the world nowadays. The Group views sustainable development as its business principle of creating long-term value, and is committed to identifying, evaluating and reducing its potential impact on the environment and natural resources through a series of effective measures. The Group is dedicated to instilling a culture of environmental awareness to its employees and encouraging its employees to practice it in their daily routines. The Group encourages its employees to use public transport more. At the corporate level, the Group has also formulated a series of sustainable development plans to save energy, thereby reducing the impact on the environment and natural resources. For instance, the Group follows the green procurement policy, giving priority to local suppliers or suppliers that are closer to the Group in terms of geographical locations during the decoration of workplace. The Group also selects decoration products with minimal impacts on the environment, such as LED lights, in order to lower the carbon footprint of its operations.

The Group has been evaluating and continuously controlling the impact of its operations on the environment for a long time, and is committed to reducing the use of electricity, gasoline and water resources in its operations through a series of effective measures. The Group plans to set clear and definite goals for the "Three Wastes" and GHG emissions in the future, with the SDC regularly reviewing the Group's sustainable development goals and strategies. In FY2021, the Group was unswervingly marching towards its establishment of environmental sustainability goals, and lowering its environmental impact continuously. As "carbon neutrality" and "green recovery" gradually become mainstream global trends, the Group insists on accelerating the promotion of green and low-carbon operations. Given the business nature and that the operations of the Group which mainly consisted of indoor operations, the major resource consumed during the operation process is identified to be paper. To this end, the Group is committed to promoting paperless office and office automation, and has taken the following measures to manage the consumption of paper in offices, cultivating good habits of diligence and thrift among employees.

- Broadening the channels to reach clients online;
- Uploading the original off-line error trade report and after-market telephone recording inspection report to the office automation system;
- Avoiding the use of single-sided paper unless necessary; and
- Encouraging employees to use the back of single-sided documents for printing or as scratch paper.

Climate Change

Climate change is one of the factors that triggers financial risks and will have an impact on the entire financial system, leading not only to changes in customer behaviour and consumer preferences, but also to increased stakeholder concern or negative feedback. Financial markets generally believe that by placing an appropriate emphasis on responsible investment and considering the sustainable long-term performance of each investment, investment objectives will be more effectively achieved, while the ESG and climate-related risks involved in investment activities can be reduced. Yet, if the relevant financial products do not take into account the relevant risks in terms of climate or ESG, it may affect the investment intention of investors.

The Group's core businesses include Securities business, Corporate Finance business, and Asset Management business, extensively covering several extremely important functions of financial services. As under the leadership of the state-own China Huarong Asset Management Co., Ltd., the Group strives to balance the ESG and climate change development in China and Hong Kong at the same time, while cooperating with the development of green finance in China and Hong Kong. During the process, the Group endeavours to build and organise a knowledge base of resources, data and analytical tools, and actively promote the transformation of the industry's business model towards sustainable development.

In the face of climate risk, as a comprehensive financial institution, the Group believes that climate change will mainly impact its holding of relevant assets. Similarly, when providing financial services to its clients, more ESG and climate risk-related information is expected from the Group to meet investors' expectations for more in-depth ESG-related information.

In terms of financial services and asset management, the Group understands that the mainstream implementation methods include:

Integration of ESG Factors

The Group strives to integrate ESG factors into its investment assessment process to manage risk and identify ESG investment opportunities. In the future, when selecting and appointing investment managers, the Group will try to select talents who agree with and can implement the concept of responsible investment.

The Group believes that ESG factors will have a significant impact on the long-term value of investment projects. Appropriate integration of ESG factors to achieve overall sustainable long-term economic performance is going to make a significant contribution to the country's sustainable finance development.

Active Ownership

To maintain the long-term value of investments, the Group believes that responsible corporate behaviour that takes into account ESG factors can bring returns to investors in the long run. The Group expects to actively exercise the ownership of assets by exercising voting rights and communicating with relevant companies to assist the Group in fulfilling its responsibilities for ownership of investment projects.

Collaboration

The Group is committed to working with like-minded stakeholders, including investors, regulators, investee companies, ESG consultants and research institutes, to promote sound and long-term investment management practices as long as ongoing training.

The Group's SD is going to advance the above ESG and climate impact related issues in an orderly manner this year.

Appendix – Performance Tables

Table 1 – Employee Turnover by Geographical Location, Gender, and Age in FY2021[1]

Unit: Number of employees		Employee turnover and turnover rate in FY2021					
Categories		**Gender**					
		Male	**Turnover Rate (%)**	**Female**	**Turnover Rate (%)**	**Total employee turnover**	**Turnover Rate (%)**
Age	<30	**1**	**–[2]**	**5**	**83**	**6**	**100**
	31 – 50	**11**	**42**	**14**	**74**	**25**	**56**
	>51	**0**	**0**	**1**	**20**	**1**	**7**
Geographical Location	Mainland China	**0**	**0**	**0**	**0**	**0**	**0**
	Hong Kong	**12**	**34**	**20**	**67**	**32**	**49**

1. The turnover data in headcount was obtained from the Group's Human Resource Department based on the employment contracts entered into between the Group and its employees. Turnover rate was calculated by dividing the number of employees who resigned in FY2021 by the number of employees in FY2021. The methodology adopted for reporting on turnover data set out above was based on "How to Prepare an ESG Report? – Appendix 3: Reporting Guidance on Social KPIs" issued by the Stock Exchange; and

2. At the end of FY2021, the number of male employees under the age of 30 was zero, so the turnover rate of male employees under the age of 30 could not be calculated in accordance with the "How to Prepare an ESG Report? – Appendix 3: Reporting Guidance on Social KPIs" issued by the Stock Exchange".

Table 2 – Total Workforce of the Group by Gender, Position Type, Age and Geographical Location in FY2021[1]

Unit: Number of employees		FY2021	FY2020[2]	FY2019[2]
Total number of employees		**65**	54	70
Gender	Male	**35**	27	36
	Female	**30**	27	34
	Ratio of male to female employees	**1.17:1**	1:1	1.06:1
Age	<30	**6**	10	12
	31 – 50	**45**	36	45
	>51	**14**	8	13
Position	Senior Management	**19**	5	5
	General Employees	**46**	49	65
Employment Type	Full-time	**65**	54	70
	Part-time	**0**	0	0
Geographical Location	Mainland China	**0**	–	–
	Hong Kong	**65**	–	–

1. The employment data in headcount was obtained from the Group's Human Resource Department based on the employment contracts entered into between the Group and its employees. The data covers employees engaged in a direct employment relationship with the Group according to relevant local laws and workers whose work and/or workplace was controlled by the Group. The methodology adopted for reporting on employment data set out above was based on "How to Prepare an ESG Report? – Appendix 3: Reporting Guidance on Social KPIs" issued by the Stock Exchange; and

2. The employee employment data for FY2020 and FY2019 were extracted from the "Environmental, Social and Governance Report" section of the Group's 2020 Annual Report.

Table 3 – Number and Rate of Work-related Fatalities of the Group in Past Three Years[1]

Financial Year	FY2021	FY2020	FY2019
Work-related injuries	1	0	0
Workdays lost due to work-related injuries	0	0	0
Work-related fatalities	0	0	0
Rate of fatalities as a result of work-related injury (per hundred workers)	0	0	0

1. The fatality information was obtained from the Group's Human Resource Department. The methodology adopted for reporting the number and rate of work-related fatalities set out above was based on "How to Prepare an ESG Report? – Appendix 3: Reporting Guidance on Social KPIs" issued by the Stock Exchange.

Table 4 – The Group's total emissions by category for FY2021, FY2020 and FY2019[9]

Emissions Category	KPIs	Unit	Amount in FY2021	Intensity in FY2021 (Unit/ employee)[1]	Amount in FY2020[2]	Intensity in FY2020 (Unit/ employee)[3]	Amount in FY2019[2]	Intensity in FY2019 (Unit/ employee)[3]
Air Emissions[4]	SO_X	Kg	0.08	–	0.10	–	2.65	–
	NO_X	Kg	4.3	–	3.11	–	0.10	–
	PM	Kg	0.3	–	0.07	–	–	–
GHG Emissions	Scope 1 (Direct Emissions)[5]	Tonnes of CO_2e	14	0.22	18	0.33	17	0.24
	Scope 2 (Energy Indirect Emissions)[6]	Tonnes of CO_2e	179	2.75	236	4.37	166	2.37
	Scope 3 (Other Indirect Emissions)[7]	Tonnes of CO_2e	22	0.34	9	0.17	45	0.64
	Total (Scope 1, 2 & 3)	Tonnes of CO_2e	215	3.31	263	4.87	228	3.26
Non-hazardous Waste	Solid Wastes	Tonnes	7	0.11	12	0.22	11.3	0.16
	Paper	Tonnes	2.64	0.04	1.92[8]	0.04[8]	–	–
	Food Waste	Tonnes	2	0.03	–	–	–	–
Hazardous Waste	Battery	Pieces	–	–	60	1.11	–	–
	Ink Cartridges	Pieces	15	0.23	5	0.09	–	–
	Light tube	Pieces	32	0.49	–	–	–	–

1. The emission intensity for FY2021 was calculated by dividing the amount of waste gas, greenhouse gas or other emissions generated by the Group in FY2021 by the total number of employees of the Group in FY2021, which was 65;

2. The emission data for FY2020 and FY2019 were extracted from the "Environmental, Social and Governance Report" section of the Group's 2020 Annual Report;

3. The emission intensity for FY2020 and FY2019 were calculated by dividing the amount of waste gas, greenhouse gas or other emissions produced by the Group in FY2020 and FY2019 by the Group's total number of employees in FY2020 and FY2019, which were 54 and 70 respectively;

4. Air emissions only included air pollutants generated by the Group's use of the company vehicles in FY2021;

5. The Group's Scope 1 (Direct Emissions) for FY2021 and FY2020 included only emissions from fossil fuels used in company vehicles. While that in FY2019 included not only the emission of fossil fuels used in the company's vehicles but also the fugitive emission of three tonnes CO_2e from the replacement of the FM200 fire protection system in the computer server room of the Group;

6. The Group's Scope 2 (Indirect Energy Emissions) only includes emissions from electricity consumption;

7. The Group's Scope 3 (Other Indirect Emissions) only includes the indirect emissions from paper waste disposed at landfills and the emissions caused by business air travel;

8. In order to unify the calculation method of paper consumption in FY2021 and FY2020, the weight of paper consumed in FY2020 is renewed using the same estimation method as that in FY2021; and

9. The methodology adopted for reporting on GHG emissions set out above was based on "How to Prepare an ESG Report? – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, the 2006 IPCC (Intergovernmental Panel on Climate Change) Guidelines for National Greenhouse Gas Inventories, EMEP/EEA Air Pollutant Emission Inventory Guidebook 2019 and Technical Guidelines for Compiling Air Pollutant Emission Inventory of Road Motor Vehicles.

Table 5 – Total consumption of resources of the Group in FY2021, FY2020 and FY2019

Use of resources	KPIs	Unit	Amount in FY2021[1]	Intensity in FY2021 (Unit/ employee)[2]	Amount in FY2020[3]	Intensity in FY2020 (Unit/ employee)[4]	Amount in FY2019[3]	Intensity in FY20219 (Unit/ employee)[4]
Energy	Electricity	kWh'000	**252**	**3.88**	310	5.74	220	3.14
	Gasoline	kWh'000	**51**	**0.78**	65	1.20	49	0.70
	Total	kWh'000	**303**	**4.66**	375	6.94	269	3.84
Others	Paper	Kg	**2640**	**40.62**	1,925[5]	35.65[5]	–	–

1. The resource consumption in FY 2021 came from the Group's daily operations;

2. The intensity in FY2021 was calculated by dividing the amount of resources consumed by the Group in FY2021 by the number of employees of the Group in FY2021, which was 65;

3. The figures for FY2020 and FY2019 were extracted from the "Environmental, Social and Governance Report" section of the Group's 2020 Annual Report;

4. The intensity for FY2020 and FY2019 were calculated by dividing the amount of resources consumed by the Group in FY2020 and FY2019 by the total number of employees of the Group in FY2020 and FY2019, which were 54 and 70 respectively; and

5. In order to unify the calculation method of paper consumption in FY2021 and FY2020, the weight of paper consumed in FY2020 is renewed using the same estimation method as that in FY2021.

Reporting Index

HKEx ESG Reporting Guideline Content Index

Aspects	Description	Page
A. Environmental		
A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. *Note:* Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.	75, 95
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KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	105
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KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	96, 97

Aspects	Description	Page
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KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	99
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	100
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	99
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	98
A3: The Environment and Natural Resources		
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KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	100
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KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	101

Aspects	Description	Page
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KPI B1.2	Employee turnover rate by gender, age group and geographical region.	103
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KPI B2.2	Lost days due to work injury.	105
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Aspects	Description	Page
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TO THE SHAREHOLDERS OF
HUARONG INTERNATIONAL FINANCIAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Huarong International Financial Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 123 to 259, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment on financial assets at fair value through other comprehensive income, finance lease receivables, other loans and debt instruments, amount due from an associate, advances to customers in margin financing and accounts receivable	
As at 31 December 2021, (i) financial assets at fair value through other comprehensive income have gross carrying amount of approximately HK$418 million and impairment loss allowances of approximately HK$410 million, (ii) finance lease receivables have gross carrying amount of approximately HK$1,311 million and impairment loss allowances of approximately HK$468 million, (iii) other loans and debt instruments have gross carrying amount of approximately HK$4,425 million and impairment loss allowances of approximately HK$3,282 million, (iv) amount due from an associate has gross carrying amount of approximately HK$304 million and impairment loss allowances of approximately HK$304 million, (v) advances to customers in margin financing have gross carrying amount of approximately HK$905 million and impairment loss allowances of approximately HK$861 million, and (vi) accounts receivable have gross carrying amount of approximately HK$1,097 million and impairment loss allowances of approximately HK$276 million.	The procedures we performed to address the key audit matter included, amongst others: • Performed a walkthrough to understand the Group's credit risk management policies and practices including the staging criteria applied by management. • Assessed the Group's impairment provisioning policy against the requirements of HKFRS 9. • Tested the Group's determination of significant increase in credit risk ("**SICR**") and the basis for classification of exposures into the 3 stages, on a sample basis by inspecting loan overdue information, loan-to-value percentage or other related indicators of SICR.

Key Audit Matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Impairment assessment on financial assets at fair value through other comprehensive income, finance lease receivables, other loans and debt instruments, amount due from an associate, advances to customers in margin financing and accounts receivable (continued)</td></tr>
<tr><td>The assessment of impairment for financial assets at fair value through other comprehensive income, finance lease receivables, other loans and debt instruments, amount due from an associate, advances to customers in margin financing and accounts receivable involves significant management judgement and estimates on the amount of expected credit loss at the reporting date, and as such is identified as a key audit matter.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for each exposure since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition.

The Group also assesses the expected cashflows including cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose.

Information in respect of the impairment loss allowances including the quantitative and qualitative information and forward-looking analysis of the Group's assessment are disclosed in notes 18 to 23, and note 45 to the consolidated financial statements.</td><td>For the assessment of the impairment allowances of financial assets at fair value through other comprehensive income, finance lease receivables, other loans and debt instruments, amount due from an associate, advances to customers in margin financing and accounts receivable, which are classified as stage 1 and 2 and measured using ECL model as of 31 December 2021, we:

• Evaluated, together with our valuation specialists, the ECL model and the assumptions and parameters including ECL stages, probability of default, loss given default, exposure at default and forward looking factors such as macroeconomic factor forecasts and the probability weighted economic scenarios used in the ECL model.

• Performed testing of key data sources used for the ECL computation, on a sample basis, by evaluating the Group's supporting documents and analysis, and, where applicable, checking to external data sources.

For the assessment of the impairment allowances of finance lease receivables, other loans and debt instruments, amount due from an associate, advances to customers in margin financing and accounts receivable, which are classified as stage 3 as of 31 December 2021, we:

• Obtained an understanding on management's key estimates and assumptions used in the individual impairment assessment.</td></tr>
</table>

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment on financial assets at fair value through other comprehensive income, finance lease receivables, other loans and debt instruments, amount due from an associate, advances to customers in margin financing and accounts receivable (continued)	
	• Critically evaluated management's assessment on the recoverability of the finance lease receivables, other loans and debt instruments, amount due from an associate, advances to customers in margin financing and accounts receivable by examining the valuation of collateral together with our valuation specialists, where necessary, including: – Evaluated the competence, capabilities, and objectivity of management's specialists; – Assessed the selection of the valuation methodologies, assumptions and judgements used by management; – Evaluated the appropriateness of the key inputs used in the valuation by independently checking to the external data. • Verified the existence of collateral, where applicable, against supporting documents. For the assessment of impairment allowance of financial assets at fair value through other comprehensive income, which are classified as stage 3 as of 31 December 2021, we assessed the impairment models together with our valuation specialists, where necessary, including: • Assessed the selection of the impairment calculation methodology used by management. • Performed testing of the key inputs used in the impairment calculations by evaluating the assumptions and judgements used by management, and, where applicable, independently checking to the external data, such as market quoted prices. Reviewed the adequacy of the related disclosures in the notes to the consolidated financial statements against the requirements of HKFRS.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of Level 3 financial instruments	
As at 31 December 2021, the Group's financial assets measured at fair value and categorised within Level 3 amounted to HK$1,544 million, representing 41% of the Group's financial assets measured at fair value. These financial assets measured at fair value categorized within Level 3 were unlisted convertible bonds and unlisted fund investments. At the reporting date, the Group assessed the fair value of financial instruments classified as Level 3 in the fair value hierarchy through the application of valuation techniques. These valuation techniques, which require significant unobservable inputs, involve significant management judgement and assumptions. Given the size of the portfolio, we have identified valuation of Level 3 financial instruments as a key audit matter. The related disclosures are included in notes 17 and 44 to the consolidated financial statements.	The procedures we performed to address the key audit matter included, amongst others: • Performed a walkthrough to confirm our understanding of management's valuation process related to the financial assets at fair value, including understanding key management controls within the process. • Inspected the relevant agreements for the key terms and conditions of the Level 3 financial instruments. • Evaluated the competence, capabilities, and objectivity of management's specialists. The procedures we performed for the convertible bonds, with the assistance of our valuation specialists, to address the key audit matter included, amongst others: • Assessed the valuation techniques and assumptions used by management against those generally used in the market. • Evaluated the expected recovery rates by analyzing the recoverable value of assets available to the issuers and checked to market data, as appropriate.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of Level 3 financial instruments (continued)	
	The procedures we performed for the unlisted fund investments to address the key audit matter included, amongst others: • Assessed the valuation techniques and assumptions used by management against those generally used in the market. • Obtained latest reported net assets values from fund managers and agreed the reported values to the valuations. • Assessed the historical accuracy of the reported net assets values by checking to audited financial statements of the funds, where available. • Evaluated the appropriateness of management adjustments to underlying valuations. Reviewed the adequacy of the related disclosures in the note to the consolidated financial statements against the requirements of HKFRS.

Key Audit Matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Assessment on liquidity and working capital position</td></tr>
<tr><td>As at 31 December 2021, the Group had net liabilities of HK$496 million and incurred a loss of HK$1,602 million for the year then ended. As disclosed in the basis of preparation in note 2.1 to the consolidated financial statements, the Group has evaluated its ability to settle its liabilities as they fall due and manage working capital taking into account, amongst others:

• Cash flow forecasts of the Group, under various scenarios, for a period of not less than twelve months from the reporting date

• Extensions of internal financing arrangements executed subsequent to the year end, and

• The letter of financial support provided by the intermediate holding company.

The ability of the Group to achieve its plans to improve the working capital and liquidity positions are subject to inherent uncertainties and execution risk, and therefore were considered to be a key audit matter.</td><td>In order to address the key audit matter:

• We obtained an understanding of the Group's business plan, the Group's cash flow forecasts and actions of management and the intermediate holding company to support the continuing business operations of the Group.

• We critically evaluated and made our own assessment of feasibility of the Group's plans.

• In respect of the cash flow forecast, we understood the key assumptions underlying the cash flow forecasts. We developed and ran stress scenarios on the cash flow forecasts.

• We read the agreements to extend the internal and external sources of finance to understand the commercial and economic impact of the arrangements on the cash flow forecasts.

• We evaluated the intention and financial capacity of the holding companies to provide financial support to the Group. We considered past practices of the holding companies and our understanding of the business strategy of the holding companies.

• In addition, we evaluated the adequacy of the disclosures made by management in respect of the key audit matter.</td></tr>
</table>

Other Information Included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is LEE Shun Yi, Jasmine.

Ernst & Young
Certified Public Accountants
Hong Kong

28 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue			
Commission and fee income	5	**33,052**	27,974
Interest income	5		
Interest income calculated using the effective interest method		**294,050**	516,992
Others		**155,423**	251,838
Investment income	5	**4,067**	44,204
		486,592	841,008
Net loss on financial assets at fair value through profit or loss		**(417,698)**	(312,516)
Net gain/(loss) arising from disposal of financial assets at fair value through other comprehensive income		**2,530**	(14,184)
Other income and gains or losses, net		**22,306**	(4,209)
Brokerage and commission expenses		**(11,841)**	(14,844)
Administrative and other operating expenses		**(236,888)**	(263,934)
Impairment losses, net		**(885,232)**	(2,207,772)
Finance costs	6	**(482,562)**	(687,714)
Loss on disposal of subsidiaries		**(26,729)**	–
Loss before tax	7	**(1,549,522)**	(2,664,165)
Income tax expense	10	**(52,770)**	(22,075)
Loss for the year		**(1,602,292)**	(2,686,240)
Attributable to:			
Equity holders of the Company		**(1,823,044)**	(2,786,174)
Holders of perpetual capital securities		**157,324**	111,403
Non-controlling interests		**63,428**	(11,469)
		(1,602,292)	(2,686,240)
Basic loss per share attributable to ordinary equity holders of the Company			
– For loss for the year	12	**HK20.9 cents**	HK42.5 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
Loss for the year	**(1,602,292)**	(2,686,240)
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	**(58,988)**	(76,476)
Net provision for impairment of financial assets at fair value through other comprehensive income included in profit or loss	**186,727**	102,084
Reclassification adjustments relating to disposal of financial assets at fair value through other comprehensive income during the year	**(2,530)**	14,184
Exchange differences on translation of foreign operations	**(887)**	(20,883)
Other comprehensive income for the year, net of tax	**124,322**	18,909
Total comprehensive loss for the year	**(1,477,970)**	(2,667,331)
Attributable to:		
Equity holders of the Company	**(1,698,722)**	(2,757,884)
Holders of perpetual capital securities	**157,324**	111,403
Non-controlling interests	**63,428**	(20,850)
	(1,477,970)	(2,667,331)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	31 December 2021 HK$'000	31 December 2020 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**13,101**	24,369
Other long term assets	14	**4,498**	5,081
Intangible assets	15	**2,350**	4,190
Right-of-use assets	16	**79,711**	128,836
Financial assets at fair value through profit or loss	17	**1,283,142**	1,789,810
Financial assets at fair value through other comprehensive income	18	**282,549**	1,591,337
Finance lease receivables	19	**40,525**	463,933
Other loans and debt instruments	20	**815,049**	1,313,915
Deferred tax assets	25	**–**	52,232
Prepayments, deposits and other receivables	24	**21,728**	20,937
Total non-current assets		**2,542,653**	5,394,640
CURRENT ASSETS			
Advances to customers in margin financing	22	**43,738**	90,183
Accounts receivable	23	**820,087**	164,884
Prepayments, deposits and other receivables	24	**357,817**	145,658
Financial assets at fair value through profit or loss	17	**2,031,528**	3,715,676
Financial assets at fair value through other comprehensive income	18	**135,177**	960,124
Finance lease receivables	19	**802,332**	531,634
Other loans and debt instruments	20	**327,874**	1,796,813
Amounts due from related parties	26, 42	**4,539**	3,825
Tax recoverable		**56,655**	61,245
Restricted bank balances	27	**215,590**	380,295
Deposits in other financial institutions	28	**14,457**	16,921
Pledged bank deposit	29	**–**	13,000
Cash and cash equivalents	29	**1,852,784**	1,720,306
Total current assets		**6,662,578**	9,600,564

Consolidated Statement of Financial Position

31 December 2021

	Notes	31 December 2021 HK$'000	31 December 2020 HK$'000
CURRENT LIABILITIES			
Accounts payable	30	**224,432**	616,572
Other liabilities, payables and accruals	31	**310,452**	708,834
Interest-bearing borrowings	32	**2,486,097**	3,920,973
Repurchase agreements	33	**474,139**	1,252,605
Amounts due to related parties	26, 42	**56,034**	59,341
Tax payable		**77,930**	94,943
Lease liabilities	34	**58,331**	55,593
Financial liabilities at fair value through profit or loss	17	**55,088**	53,282
Total current liabilities		**3,742,503**	6,762,143
NET CURRENT ASSETS		**2,920,075**	2,838,421
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,462,728**	8,233,061
NON-CURRENT LIABILITIES			
Other liabilities, payables and accruals	31	**1,416**	18,204
Deferred tax liabilities	25	**–**	2,093
Interest-bearing borrowings	32	**5,927,609**	6,745,326
Lease liabilities	34	**29,697**	86,262
Total non-current liabilities		**5,958,722**	6,851,885
Net (liabilities)/assets		**(495,994)**	1,381,176

	Notes	**31 December 2021 HK$'000**	31 December 2020 HK$'000
EQUITY			
Share capital	35	**8,710**	8,710
Share premium and reserves		**(4,537,514)**	(2,838,792)
Equity attributable to owners of the Company		**(4,528,804)**	(2,830,082)
Perpetual capital securities classified as equity instruments	37	**2,755,781**	2,755,872
Non-controlling interests		**1,277,029**	1,455,386
Total equity		**(495,994)**	1,381,176

The consolidated financial statements on pages 123 to 259 were approved by the Board of Directors on 28 March 2022 and are signed on its behalf by:

Xu Xiaowu
Director

Wang Junlai
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Contributed surplus (Note ii) HK$'000	Capital reserve (Note iii) HK$'000	Statutory reserve (Note i) HK$'000	Merger reserve (Note iv) HK$'000	Currency translation reserve HK$'000	FVTOCI Investment revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Perpetual capital securities HK$'000	Non-controlling interests (Note v) HK$'000	Total equity HK$'000
At 1 January 2020, as previously reported	3,588	1,639,533	139,615	636,129	117	–	246	(238,909)	(2,845,293)	(664,974)	1,207,430	(423,716)	118,740
Effect of merger of entity under common control	2,612	943,342	–	–	31,856	(264,100)	6,921	–	9,707	730,338	–	1,762,390	2,492,728
At 1 January 2020, as restated	6,200	2,582,875	139,615	636,129	31,973	(264,100)	7,167	(238,909)	(2,835,586)	65,364	1,207,430	1,338,674	2,611,468
Loss for the year	–	–	–	–	–	–	–	–	(2,786,174)	(2,786,174)	111,403	(11,469)	(2,686,240)
Fair value loss on financial assets at fair value through other comprehensive income	–	–	–	–	–	–	–	(76,476)	–	(76,476)	–	–	(76,476)
Net provision for impairment of financial assets at fair value through other comprehensive income included in profit or loss	–	–	–	–	–	–	–	102,084	–	102,084	–	–	102,084
Reclassification adjustment relating to disposal of financial assets at fair value through other comprehensive income during the year	–	–	–	–	–	–	–	14,184	–	14,184	–	–	14,184
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(11,502)	–	–	(11,502)	–	(9,381)	(20,883)
Total comprehensive loss for the year	–	–	–	–	–	–	(11,502)	39,792	(2,786,174)	(2,757,884)	111,403	(20,850)	(2,667,331)
Acquisition of non-controlling interests of a subsidiary by consideration shares	2,510	637,374	–	–	–	(639,884)	–	–	(137,562)	(137,562)	–	137,562	–
Transfer to retained earnings	–	–	–	–	–	903,984	–	–	(903,984)	–	–	–	–
New perpetual capital securities issued during the year	–	–	–	–	–	–	–	–	–	–	1,550,300	–	1,550,300
Distribution relating to perpetual capital securities	–	–	–	–	–	–	–	–	–	–	(113,261)	–	(113,261)
At 31 December 2020 and 1 January 2021	8,710	3,220,249	139,615	636,129	31,973	–	(4,335)	(199,117)	(6,663,306)	(2,830,082)	2,755,872	1,455,386	1,381,176
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,823,044)**	**(1,823,044)**	**157,324**	**63,428**	**(1,602,292)**
Fair value loss on financial assets at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(58,988)**	**-**	**(58,988)**	**-**	**-**	**(58,988)**
Net provision for impairment of financial assets at fair value through other comprehensive income included in profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**186,727**	**-**	**186,727**	**-**	**-**	**186,727**
Reclassification adjustment relating to disposal of financial assets at fair value through other comprehensive income during the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,530)**	**-**	**(2,530)**	**-**	**-**	**(2,530)**
Exchange differences on translation of foreign operations	**-**	**-**	**-**	**-**	**-**	**-**	**(887)**	**-**	**-**	**(887)**	**-**	**-**	**(887)**
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(887)**	**125,209**	**(1,823,044)**	**(1,698,722)**	**157,324**	**63,428**	**(1,477,970)**
Distribution relating to perpetual capital securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(157,415)**	**(241,785)**	**(399,200)**
At 31 December 2021	**8,710**	**3,220,249**	**139,615**	**636,129**	**31,973**	**-**	**(5,222)**	**(73,908)**	**(8,486,350)**	**(4,528,804)**	**2,755,781**	**1,277,029**	**(495,994)**

Notes:

(i) Pursuant to the Articles of the Company Law of the People's Republic of China (the "**PRC**"), the entity established in the PRC is required to appropriate 10% of its net profit to the statutory reserve until the balance reaches 50% of its registered capital.

(ii) Under the Bermuda Companies Act, the Company's contributed surplus is distributable to shareholders under certain circumstances.

(iii) The capital reserve represents deemed contribution arising from the disposal of subsidiaries to China Huarong Overseas Investment Holdings Co., Limited ("**Huarong Overseas**"), a fellow subsidiary of the Group.

(iv) Merger reserve was arising from the application of merger accounting method in relation to the combination with entity under common control.

(v) Non-controlling interests represented minority shareholder interests and interests of holders of perpetual capital securities of HRIV as at 1 January 2020 while non-controlling interests represented solely interests of holders of perpetual capital securities of HRIV as at 31 December 2020 and 31 December 2021.

	2021	2020
	HK$'000	HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(1,549,522)**	(2,664,165)
	(1,549,522)	(2,664,165)
Adjustments for:		
Finance costs	**482,562**	687,714
Fair value loss on financial instruments at fair value through profit or loss	**455,673**	439,176
Interest income	**(452,125)**	(775,303)
Loss on disposal of subsidiaries	**26,729**	–
Fair value (gain)/loss arising from disposal of financial assets at fair value through other comprehensive income	**(2,530)**	14,184
Dividend income	**(4,067)**	(44,204)
Depreciation	**63,440**	76,635
Gain on disposal of property, plant and equipment	**—**	(4,933)
Net impairment loss	**885,232**	2,207,772
	(94,608)	(63,124)
Decrease/(increase) in other loans and debt instruments	**1,544,745**	(2,221,739)
Decrease in finance lease receivables	**135,274**	12,277
Increase in accounts receivable	**(203,168)**	(63,712)
Decrease in advances to customers in margin financing	**13,618**	2,477,432
(Increase)/decrease in prepayments, deposits and other receivables	**(86,840)**	13,249
Decrease in financial assets at fair value through profit or loss	**966,253**	1,523,389
Decrease in restricted bank balances, pledged bank deposits, and deposits in other financial institutions	**180,169**	68,943
Decrease in accounts payable	**(392,140)**	(738,957)
(Decrease)/increase in other liabilities, payables and accruals	**(61,470)**	159,374
Decrease in repurchase agreements	**(778,466)**	(589,666)
Increase in amount due from related parties	**(714)**	(1,987)

Consolidated Statement of Cash Flows

Year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
Cash generated from operations	**1,222,653**	575,479
Tax paid	**(15,054)**	(116,893)
Interest received	**208,064**	548,561
Net cash flows from operating activities	**1,415,663**	1,007,147
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received	**4,067**	44,204
Proceeds from disposal of financial assets at fair value through other comprehensive income	**2,102,403**	1,357,662
Proceeds from disposal of items of property, plant and equipment	**–**	6,488
Decrease/(increase) in other long term assets	**583**	(839)
Purchase of items of property, plant and equipment	**(982)**	(5,495)
Proceeds from disposal of subsidiaries	**163,444**	–
Net cash flows from investing activities	**2,269,515**	1,402,020
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	**(835,995)**	(705,104)
Drawdown of interest-bearing borrowings	**–**	831,572
Repayment of interest-bearing borrowings	**(2,252,593)**	(6,135,092)
Repayment of leases liabilities	**(56,159)**	(97,956)
Net changes from amount due to related parties	**(3,307)**	4,983
Proceeds from issuance of perpetual capital securities	**–**	1,550,300
Distribution to holder of perpetual capital securities	**(157,415)**	(113,261)
Distribution to non-controlling interests	**(241,785)**	–
Net cash used in financing activities	**(3,547,254)**	(4,664,558)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**137,924**	(2,255,391)
Cash and cash equivalents at beginning of year	**1,720,306**	3,997,190
Effect of foreign exchange rate changes, net	**(887)**	(20,883)
Effect of impairment of cash and cash equivalents, net	**(4,559)**	(610)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**1,852,784**	1,720,306

1. Corporate and Group Information

Huarong International Financial Holdings Limited (the "**Company**") is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange" or "**HKEx**"). The principal activity of the Company is investment holding. The Group is principally engaged in the brokerage and dealing of securities, futures and options contracts, margin financing, loan financing, financial advisory, direct investments, investment holding, provision of advising on corporate finance services and provision of management and consultancy services. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda . The principal place of operations of the Company is situated at Unit A, 16/F & Unit A, 17/F, Two Pacific Place, 88 Queensway, Hong Kong. The intermediate controlling shareholder of the Company is China Huarong International Holdings Limited ("**CHIH**") that is incorporated in Hong Kong through Camellia Pacific Investment Holding Limited and Right Select International Limited, both of which are incorporated in the British Virgin Islands and wholly-owned subsidiaries of CHIH. China Huarong Asset Management Co., Ltd. ("**China Huarong**"), a company established in the PRC and whose shares are listed on the Stock Exchange, became the ultimate holding company since 2015. Currently, major Shareholders of China Huarong include the Ministry of Finance (the "**MOF**"), CITIC Group Corporation, China Insurance Rongxin Private Fund Co., Ltd., China Life Insurance (Group) Company, Warburg Pincus and Sino-Ocean Group Holding Limited.

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ establishment and operations	Nominal value of issued and paid-up ordinary share capital/registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Excel Vision Development Limited 卓迅發展有限公司	Hong Kong	HK$1,000	–	100%	Provision of management services
Huarong International Asset Management Limited 華融國際資產管理有限公司	Hong Kong	HK$141,750,000	–	100%	Provision of asset management services
Huarong International Securities Limited 華融國際證券有限公司	Hong Kong	HK$3,620,000,000	–	100%	Securities and futures contracts broking and trading and provision of margin financing
Fresh Idea Ventures Limited	British Virgin Islands/ Hong Kong	US$100	–	100%	Investment holding

1. Corporate and Group Information (continued)

Name	Place of incorporation/ establishment and operations	Nominal value of issued and paid-up ordinary share capital/registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Option Best Holdings Limited	British Virgin Islands/ Hong Kong	US$100	–	100%	Investment holding
Linewear Assets Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	Investment holding
Huarong International Capital Limited 華融國際融資有限公司	Hong Kong	HK$45,000,000	–	100%	Advisory and corporate financing
Beyond Steady Limited 堅越有限公司	British Virgin Islands/ Hong Kong	US$100	–	100%	Investment holding
Grand Shine International Holdings Hong Kong Limited 崇曦國際有限公司	Hong Kong	HK$100	–	100%	Investment holding
Beaverway Limited	British Virgin Islands/ Hong Kong	US$100	–	100%	Investment holding
Huarong International Fixed Income Fund SPC	Cayman Islands/ Hong Kong	US$78,055,867	–	94%	Investment in listed fixed income securities
Huarong Investment Stock Corporation Limited 華融投資股份有限公司	Cayman Islands/ Hong Kong	HK$18,160,000	100%	–	Direct investment; provision of financial services and others
Advance Eagle Ventures Limited	British Virgin Islands/ Hong Kong	US$1	–	100%	Direct investment
Atlantic Star Global Limited	British Virgin Islands/ Hong Kong	US$1	–	100%	Direct investment

1. Corporate and Group Information (continued)

Name	Place of incorporation/ establishment and operations	Nominal value of issued and paid-up ordinary share capital/registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Big Thrive Limited	British Virgin Islands/ Hong Kong	US$1	–	100%	Direct investment
Bloom Right Limited	British Virgin Islands/ Hong Kong	US$1	–	100%	Direct investment
Cheery Plus Limited	British Virgin Islands/ Hong Kong	US$1	–	100%	Direct investment
City Savvy Limited	British Virgin Islands/ Hong Kong	US$1	–	100%	Direct investment
Coastal Treasure Limited	British Virgin Islands/ Hong Kong	US$1	–	100%	Direct investment
Coleman Global Investments Limited	British Virgin Islands/ Hong Kong	US$1	–	100%	Direct investment
Dazzling Elite Limited	British Virgin Islands/ Hong Kong	US$1	–	100%	Direct investment
Star Lavish Limited	British Virgin Islands/ Hong Kong	US$1	–	100%	Direct investment
Unique Rosy Limited	British Virgin Islands/ Hong Kong	US$1	–	100%	Direct investment

1. Corporate and Group Information (continued)

Name	Place of incorporation/ establishment and operations	Nominal value of issued and paid-up ordinary share capital/registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Wealth Channel Global Limited	British Virgin Islands/ Hong Kong	US$1	–	100%	Direct investment
Wise United Holdings Limited	British Virgin Islands/ Hong Kong	US$1	–	100%	Direct investment
華融晟遠(北京)投資有限公司 (note a)	PRC	RMB201,849,000	–	100%	Direct investment
中聚(深圳)融資租賃有限公司 (note a)	PRC	US$30,000,000	–	100%	Provision of financial services

Note (a): It is a wholly-owned enterprise registered under PRC Law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 Basis of Preparation

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

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

Going concern basis

As at 31 December 2021, the Group had net liabilities of HK$496 million (31 December 2020: net assets of HK$1,381 million) and incurred a loss of HK$1,602 million (2020: net loss of HK$2,686 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*

Subsequent to 31 December 2021, the Group communicated and confirmed with various banks related to certain bank borrowings. Pursuant to the agreements with the banks, the next review dates of bank borrowings of HK$775 million, HK$624 million and HK$200 million will be October 2022, August 2022 and August 2022, respectively.

2.1 Basis of Preparation (continued)

Going concern basis (continued)

(ii) *Utilization of banking facilities*

As at 31 December 2021, the Group has total bank credit facilities of approximately HK$2,931,923,000 (31 December 2020: approximately HK$4,987,770,000), of which HK$1,599,000,000 (31 December 2020: approximately HK$3,358,758,000) were utilized by the Group. Upon the approval date of the consolidated financial statements, the Group has obtained a letter of intent for a new banking facility amounting to HK$130,000,000.

(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 2021, CHIH lent an aggregate of HK$10.8 billion to the group in forms of intercompany loans and perpetual securities (31 December 2020: HK$11.3 billion). Depending on the need for working capital, the Group may need to draw down the loans at different times and amounts. Furthermore, subsequent to the year end, the Group has obtained extensions from CHIH on intercompany borrowings with an aggregate balance of HK$887,097,000. There are no intercompany borrowings fall due within the next twelve months from 31 December 2022 after the extensions.

(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 consolidated statement of financial position as at 31 December 2021, 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, monitoring and adjustment by finance department within the Group.

2.1 Basis of Preparation (continued)

Going concern basis (continued)

(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) Highlight 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.

2.1 Basis of Preparation (continued)

Going concern basis (continued)

(vi) Actively develop licensed business (continued)

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, privatization, 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 2021. 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 2021. 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 (the "**Board**") has confirmed that it has objectively and critically reviewed the measures mentioned above. The Audit Committee of the Board and the Board have confidence in the Group's management and concurred with management's view that the Group's business plan for the next twelve months is feasible and achievable. The Group has actively implemented, or is actively implementing, all the improvement targets outlined above for the purposes of increasing profits and improving the cash flow position of the Group.

2.1 Basis of Preparation (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2021. 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; and

(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.

2.2 Changes in Accounting Policies and Disclosures

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

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

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate ("**HIBOR**") as at 31 December 2021. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's HIBOR-based borrowings. The amendments did not have any impact on the financial position and performance of the Group.

2.2 Changes in Accounting Policies and Disclosures (continued)

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2, 5]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2, 4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimate*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards (continued)

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards (continued)

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

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 amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception 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 and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards (continued)

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

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

HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 Summary of Significant Accounting Policies

Business combinations under common control

Business combinations under common control. For a combination with a company under common control, the merger accounting method will be applied. The principle of merger accounting is a way to combine companies under common control as though the business of the acquiree had always been carried out by the acquirer. The Group's consolidated financial statements represent the consolidated results, consolidated cash flows and consolidated financial position of the Group as if any such combination had occurred from the date when the Company and the acquiree first came under common control (i.e. no fair value adjustment on the date of combination is required). The difference between the consideration and carrying amount at the time of combination is recognised in equity. The effects of all transactions between the Group and the acquiree, whether occurring before or after the combination, are eliminated in preparing the consolidated financial statements of the Group. Comparative amounts are presented as if the acquiree had been combined at the end of the previous reporting period. The transaction costs for the combination will be expensed in the income statement.

Consideration shares issued to the controlling party as part of a common control combination which is accounted for using merger accounting are presented as if the issuance of such shares had occurred from the date when the Company and the acquiree first came under common control; whereas consideration shares issued to the non-controlling parties are accounted for from the shares issuance date.

For the calculation of basic earnings per share, consideration shares issued as part of a common control combination which is accounted for using merger accounting are included in the calculation of the weighted average number of shares for all periods presented because the consolidated financial statements of the combined entity are prepared as if the combined entity had always existed. Therefore, the number of ordinary shares in a common control combination which is accounted for using merger accounting is the aggregate of the weighted average number of shares of the entity whose shares are outstanding after the combination.

When an investment in a subsidiary, associate or joint venture is acquired in a common control transaction, the cost is measured at the fair value of the consideration given plus, where applicable any costs directly attributable to the acquisition.

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

2.4 Summary of Significant Accounting Policies (continued)

Investments in associates and joint ventures (continued)

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.4 Summary of Significant Accounting Policies (continued)

Fair value measurement

The Group measures its financial assets at fair value through profit or loss, and financial assets at fair value through other comprehensive income at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the profit or loss in the period in which it arises.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	20% to 33% or over the lease terms, whichever is shorter
Furniture, equipment and motor vehicles	17% to 33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.4 Summary of Significant Accounting Policies (continued)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2.4 Summary of Significant Accounting Policies (continued)

Leases (continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in profit or loss so as to provide a constant periodic rate of return over the lease terms.

The Group as a buyer-lessor

For sale and leaseback transactions which are in substance a financing arrangement under HKFRS 9, the Group as a buyer-lessor does not recognise the transferred asset and recognises a finance lease receivable equal to the net investment in the lease.

Intangible assets

Intangible assets are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets, representing eligibility rights to trade on or through the Stock Exchange and The Hong Kong Futures Exchange Limited, and other licences, with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. These intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the profit or loss. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 Summary of Significant Accounting Policies (continued)

Derecognition of financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

General approach (continued)

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 Summary of Significant Accounting Policies (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, an amount due to the ultimate holding company, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the profit or loss. The net fair value gain or loss recognised in the profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the profit or loss. The net fair value gain or loss recognised in the profit or loss does not include any interest charged on these financial liabilities.

2.4 Summary of Significant Accounting Policies (continued)

Financial liabilities (continued)

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 Summary of Significant Accounting Policies (continued)

Perpetual capital securities

Perpetual capital securities issued by the Group, which includes no contractual obligation for the Group to deliver cash or another financial asset to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavorable to the Group, are classified as equity instruments and are initially recorded at the proceeds received.

Client trust bank balances

The Group maintains trust and segregated accounts with authorised financial institutions to hold clients' deposits arising from normal business transactions. The Group has classified the clients' monies as client trust bank balances under the current assets in the consolidated statement of financial position as the Group is allowed to retain some or all of the interest income on the clients' monies and recognised corresponding accounts payable to the respective customers in the current liabilities clients on grounds that it is liable for any loss or misappropriation of clients' monies. Under the Hong Kong Securities and Futures Ordinance (Cap. 571), the Group is not allowed to use the clients' monies to settle its own obligation.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Other assets

Other assets including, but not limited to, the deposits and admission fee paid to the Stock Exchange, Hong Kong Futures Exchange Limited, Hong Kong Securities Clearing Company Limited and other regulators. They are intended to be held on a long-term basis and are stated at cost less impairment losses.

2.4 Summary of Significant Accounting Policies (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 Summary of Significant Accounting Policies (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates, and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

2.4 Summary of Significant Accounting Policies (continued)

Revenue from contracts with customers (continued)

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Provision of securities and futures brokerage services

The performance obligation is satisfied at a point in time when the customer has obtained control of the service, generally when the trades are executed.

Provision of corporate finance services

The performance obligation for sponsoring services are fulfilled when all the relevant duties of a sponsor as stated in the contract are completed. Accordingly, the revenue is recognised at a point in time. The performance obligation of certain consultancy and financial advisory services are fulfilled and recognised over time as the services are provided.

Provision of asset management services

Revenue from asset management services is recognised over time as the services are provided. Fees for asset management services are calculated based on a fixed percentage of the value of assets managed.

Performance fees are recognised on the performance fee valuation day of the investment funds and managed accounts when there is a positive performance for the relevant performance period and it is determined that it will not result in significant reversal in a subsequent period, taking into consideration the relevant basis of calculation for the investment funds and managed accounts.

2.4 Summary of Significant Accounting Policies (continued)

Revenue from other sources and other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Employee benefits

(a) *Pension scheme*

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiary which operates in People's Republic of China ("**Mainland China**") are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 5% of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

(b) *Bonuses*

The Group recognises a liability and an expense for bonuses, based on an approved formula that takes into consideration the profit attributable to the Group after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(c) *Share-based payments*

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

2.4 Summary of Significant Accounting Policies (continued)

Employee benefits (continued)

(c) *Share-based payments (continued)*

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 36 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 Summary of Significant Accounting Policies (continued)

Employee benefits (continued)

(d) *Termination benefits*

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Assets sold under repurchase agreements (repos)

The Group enter into repurchase agreements whereby securities are sold to third parties with a concurrent agreement to repurchase the securities at a specified date. The securities related to these agreements are not derecognised from the Group's financial statements, but are retained within the appropriate financial assets classification. The Group may be required to provide additional collateral based on the fair value of the underlying assets if necessary.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the profit or loss.

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statement of profit or loss are translated into Hong Kong dollars at the exchange rates that approximate to those prevailing at the dates of the transactions.

2.4 Summary of Significant Accounting Policies (continued)

Foreign currencies (continued)

The resulting exchange differences are recognised in other comprehensive income and accumulated in the currency translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the profit or loss and other comprehensive income.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

  (vi) the entity is controlled or jointly controlled by a person identified in (a);

  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

  (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty of these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Taxes

Significant judgement is required in determining the provisions for income and other taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, the differences will impact the income tax and deferred tax provisions in the period in which the determination is made.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 25 of this consolidated financial statements.

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Estimation uncertainty (continued)

Impairment allowances on financial assets

The measurement of impairment losses under HKFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and, forward-looking information.

Valuation of Level 3 financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using external valuations or valuation techniques. The Group uses a variety of methods and makes assumptions that are mainly based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, option pricing models and other valuation techniques commonly used by other market participants. Changes in assumptions on the valuation techniques could affect the reported fair values of these financial assets. Further details are contained in notes 17 and 44 to the financial statements.

4. Operating Segment Information

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

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

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

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

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

(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)/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 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 2021 and 2020 for the Group's operating segments.

4. Operating Segment Information (continued)

(a) Operating segments (continued)

For the year ended 31 December 2021

	Securities HK$'000	Corporate finance HK$'000	Asset management and direct investment HK$'000	Financial services and others HK$'000	Total HK$'000
Segment revenue					
Commission and fee income	26,675	4,387	1,990	–	33,052
Interest income	10,101	–	366,730	72,642	449,473
Investment income	–	–	4,067	–	4,067
	36,776	4,387	372,787	72,642	486,592
Net loss on financial assets at fair value through profit or loss	–	–	(417,698)	–	(417,698)
Net gain arising from disposal of financial assets at fair value through other comprehensive income	–	–	2,530	–	2,530
Other income and gains or losses, net	(2,044)	214	46,524	(36,444)	8,250
	34,732	4,601	4,143	36,198	79,674
Segment results	(44,093)	(8,408)	(1,276,665)	(83,276)	(1,412,442)
Unallocated other income and gains or losses, expenses, net					(137,080)
Loss before tax					(1,549,522)
Income tax expense					(52,770)
Loss for the year					(1,602,292)

4. Operating Segment Information (continued)

(a) Operating segments (continued)

Other segment information for the year ended 31 December 2021

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

4. Operating Segment Information (continued)

(a) Operating segments (continued)

For the year ended 31 December 2020

	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	23,561	511	1,762	2,140	27,974
Interest income	137,205	–	555,668	75,957	768,830
Investment income	–	–	44,204	–	44,204
	160,766	511	601,634	78,097	841,008
Net loss on financial assets at fair value through profit or loss	–	–	(275,108)	(37,408)	(312,516)
Net loss arising from disposal of financial assets at fair value through other comprehensive income	–	–	(14,184)	–	(14,184)
Other income and gains or losses, net	8,467	(86)	(47,434)	(53,237)	(92,290)
	169,233	425	264,908	(12,548)	422,018
Segment results	(227,090)	(152)	(2,344,340)	(88,964)	(2,660,546)
Unallocated other income and gains or losses, expenses, net					(3,619)
Loss before tax					(2,664,165)
Income tax expense					(22,075)
Loss for the year					(2,686,240)

4. Operating Segment Information (continued)

(a) Operating segments (continued)

Other segment information for the year ended 31 December 2020

	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	(6,306)	–	(664,180)	(10,181)	(7,047)	(687,714)
Net provision for impairment of other loans and debt instruments	–	–	(1,375,602)	–	–	(1,375,602)
Net provision for impairment of an amount due from an associate	–	–	(315,289)	–	–	(315,289)
Net provision for impairment of advances to customers in margin financing	(342,356)	–	–	–	–	(342,356)
Net provision for impairment of finance lease receivables	–	–	–	(60,582)	–	(60,582)
Net provision for impairment of financial assets at fair value through other comprehensive income	–	–	(102,084)	–	–	(102,084)
Net provision for impairment of other financial assets at amortised cost	–	–	(9,501)	–	(2,358)	(11,859)
Depreciation	(571)	–	(35,668)	(374)	(40,022)	(76,635)
Gain on disposal of property, plant and equipment	1	–	919	–	4,013	4,933

4. Operating Segment Information (continued)

(a) Operating segments (continued)

The following tables present the assets and liabilities for the Group's operating segments as at 31 December 2021 and 2020.

As at 31 December 2021

	Securities HK$'000	Corporate finance HK$'000	Asset management and direct investment HK$'000	Financial services and others HK$'000	Total HK$'000
Total segment assets	**1,624,671**	**37,182**	**4,979,946**	**1,072,869**	**7,714,668**
Other unallocated assets					**1,490,563**
Total assets					**9,205,231**
Total segment liabilities	**339,570**	**–**	**1,007,460**	**82,862**	**1,429,892**
Other unallocated liabilities					**8,271,333**
Total liabilities					**9,701,225**

As at 31 December 2020

	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	997,992	37,186	10,369,303	1,186,147	12,590,628
Other unallocated assets					2,404,576
Total assets					14,995,204
Total segment liabilities	483,711	–	1,753,944	107,188	2,344,843
Other unallocated liabilities					11,269,185
Total liabilities					13,614,028

4. Operating Segment Information (continued)

(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	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**380,358**	748,985	**95,156**	157,382
Mainland China	**106,234**	92,023	**6**	13
Total	**486,592**	841,008	**95,162**	157,395

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

(c) Information about major customers

During the year ended 31 December 2021, one external customer contributed more than 10% of total revenue of the Group (2020: nil):

	2021	2020
	HK$'000	HK$'000
Customer A from asset management and direct investment	**52,304**	N/A*

* Customer A did not contribute more than 10% of total revenue of the Group during the year ended 31 December 2020.

5. Revenue

The Group's revenue is disaggregated as follows:

	2021 HK$'000	2020 HK$'000
Revenue from contracts with customers		
Commission and fee income (note (i)):		
Fee and commission income on securities dealing and brokerage	**25,212**	23,021
Placing and underwriting fee income	**4,387**	480
Consultancy and financing advisory fee income	**188**	2,440
Fund subscription and management fee income	**1,990**	1,762
Other service income	**1,275**	271
	33,052	27,974
Revenue from other sources		
Interest income:		
Interest income calculated using the effective interest method		
Interest income from other loans and debt instruments	**211,307**	280,412
Interest income from finance lease receivables	**72,642**	75,957
Interest income from margin financing activities and others	**10,101**	137,205
Interest income from an amount due from an associate	**–**	23,418
	294,050	516,992
Interest income – others:		
Interest income from financial assets at fair value through profit or loss	**75,914**	83,304
Interest income from financial assets at fair value through other comprehensive income	**79,509**	168,534
	155,423	251,838
Total interest income	**449,473**	768,830
Investment income:		
Dividend income	**4,067**	44,204
Total revenue	**486,592**	841,008

5. Revenue (continued)

Note:

(i) The commission and fee income is the only revenue arising under the scope of HKFRS 15, while interest income and investment income are under the scope of HKFRS 9. Included in revenue was revenue arising from contracts with customers recognised at a point in time and over time of HK$30,874,000 (2020: HK$24,072,000) and HK$2,178,000 (2020: HK$3,902,000), respectively.

6. Finance Costs

	2021	2020
	HK$'000	HK$'000
Interest on bank borrowings	**77,567**	129,945
Interest on repurchase agreements and other activities	**24,942**	53,096
Interest on borrowings from an intermediate holding company	**246,818**	354,252
Interest on borrowings from fellow subsidiaries	**27,110**	29,309
Interest on borrowings from an immediate holding company	**100,778**	109,503
Interest on lease liabilities	**5,347**	11,609
	482,562	687,714

7. Loss Before Tax

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

	2021 HK$'000	2020 HK$'000
Depreciation of property, plant and equipment	**12,250**	15,002
Depreciation of right-of-use assets	**51,190**	61,633
Gain on disposal of property, plant and equipment	**–**	(4,933)
Auditor's remuneration	**6,774**	6,237
Legal and professional fees	**23,104**	34,367
Salaries, bonuses and allowances (including directors' remuneration)	**61,760**	48,477
Pension scheme contributions (including directors' remuneration)	**1,538**	2,166
Net provision for impairment of other loans and debt instruments	**405,926**	1,375,602
Net (reversal of)/provision for impairment of an amount due from an associate	**(23,423)**	315,289
Net provision for impairment of advances to customers in margin financing	**37,718**	342,356
Net provision for impairment of finance lease receivables	**74,281**	60,582
Net provision for impairment of financial assets at fair value through other comprehensive income	**186,727**	102,084
Net provision for impairment of accounts receivable	**185,255**	12,149
Net provision/(reversal of) for impairment of other assets	**18,748**	(290)

8. Directors' and Chief Executive's Remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2021	2020
	HK$'000	HK$'000
Fees	**1,033**	930
Other emoluments:		
Salaries, allowances and benefits in kind	**1,559**	718
Discretionary bonuses	**643**	177
Retirement benefits	**40**	19
	2,242	914
	3,275	1,844

Detail analysis is set out below:

2021

(a) Executive directors

	Mr. Wang Junlai	**Mr. Xu Xiaowu (appointed on 4 January 2021)**	**Mr. Yang Rungui (appointed on 24 August 2020 and resigned on 4 January 2021) (note)**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Fees	**–**	**–**	**–**	**–**
Other emoluments:				
Salaries, allowances and benefits in kind	**738**	**821**	**–**	**1,559**
Discretionary bonuses	**180**	**463**	**–**	**643**
Retirement benefits	**18**	**22**	**–**	**40**
Sub-total	**936**	**1,306**	**–**	**2,242**

8. Directors' and Chief Executive's Remuneration (continued)

2021 (continued)

(a) *Executive directors (continued)*

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

Note: Mr. Yang Rungui was the general manager of an intermediate holding company and his emolument had been borne by the intermediate holding company.

(b) *Non-executive director*

Ms. Wang Qi was appointed as a non-executive director on 15 June 2020. Her emolument has been borne by an intermediate holding company.

(c) *Independent non-executive directors*

	Mr. Hung Ka Hai Clement HK$'000	Mr. Ma Lishan HK$'000	Mr. Guan Huanfei HK$'000	Dr. Lam Lee G. (appointed on 1 September 2021) HK$'000	Total HK$'000
Fees	320	310	303	100	1,033
Other emoluments:					
Salaries, allowances and benefits in kind	–	–	–	–	–
Discretionary bonuses	–	–	–	–	–
Retirement benefits	–	–	–	–	–
Sub-total	320	310	303	100	1,033

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company. There were no other emoluments payable to the independent non-executive directors during the year.

8. Directors' and Chief Executive's Remuneration (continued)

2020

(a) *Executive directors*

	Mr. Wang Junlai HK$'000	Mr. Yu Meng (resigned on 24 August 2020) HK$'000	Mr. Yang Rungui (appointed on 24 August 2020 and resigned on 4 January 2021) (note) HK$'000	Total HK$'000
Fees	–	–	–	–
Other emoluments:				
Salaries, allowances and benefits in kind	718	–	–	718
Discretionary bonuses	161	16	–	177
Retirement benefits	18	1	–	19
Sub-total	897	17	–	914

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

Note: Mr. Yang Rungui was the general manager of an intermediate holding company and his emolument had been borne by the intermediate holding company.

(b) *Non-executive director*

Ms. Wang Qi was appointed as a non-executive director on 15 June 2020. Her emolument has been borne by an intermediate holding company.

8. Directors' and Chief Executive's Remuneration (continued)

2020 (continued)

(c) *Independent non-executive directors*

	Mr. Hung Ka Hai Clement HK$'000	Mr. Ma Lishan HK$'000	Mr. Guan Huanfei HK$'000	Total HK$'000
Fees	320	310	300	930
Other emoluments:				
Salaries, allowances and benefits in kind	–	–	–	–
Discretionary bonuses	–	–	–	–
Retirement benefits	–	–	–	–
Sub-total	320	310	300	930

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company. There were no other emoluments payable to the independent non-executive directors during the year.

9. Five Highest Paid Employees

Excluding the amounts paid or payable by way of commission of sales generated by the individuals, the five highest paid employees during the year did not include any directors (2020: none). Details of the remuneration of the five (2020: five) non-director and highest paid employees for the year are as follows:

	2021 HK$'000	2020 HK$'000
Salaries and other benefits	**7,595**	7,595
Retirement benefits	**64**	72
	7,659	7,667

9. Five Highest Paid Employees (continued)

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	2021 Number of employees	2020 Number of employees
HK$1,000,001 to HK$1,500,000	**3**	3
HK$1,500,001 to HK$2,000,000	**2**	2
	5	5

10. Income Tax Expense

	2021 HK$'000	2020 HK$'000
Current tax:		
Hong Kong	**2,631**	218
Mainland China	**–**	37,737
Over provision in prior years:		
Hong Kong	**–**	(5,391)
Mainland China	**–**	(2,155)
Deferred tax (note 25)	**50,139**	(8,334)
	52,770	22,075

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

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

10. Income Tax Expense (continued)

Hong Kong Profits Tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries in Mainland China was 25% for the year (2020: 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:

	2021 **HK$'000**	2020 HK$'000
Loss before tax	**(1,549,522)**	(2,664,165)
Tax at the statutory tax rate of 16.5% (2020: 16.5%)	**(255,671)**	(439,587)
Over provision in prior years	**–**	(7,546)
Income not subject to tax	**(60,911)**	(107,275)
Expenses not deductible for tax	**45,737**	135,736
Effect of tax loss not recognised	**199,654**	325,682
Temporary difference not recognised	**57,415**	121,901
Tax loss utilised	**(432)**	(19,666)
Reversal of deferred tax previously recognised	**52,232**	–
Effect of different tax rate of subsidiaries operating on other jurisdiction	**14,746**	12,830
Tax charge for the year	**52,770**	22,075

11. 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 2021 and 31 December 2020. The board has resolved not to declare the payment of any dividend for the years ended 31 December 2021 and 31 December 2020.

12. 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:

	2021	2020
	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	**(1,823,044)**	(2,786,174)

	Number of shares	
	2021	2020
	'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**	6,549,901

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.

13. Property, Plant and Equipment

	Leasehold improvements HK$'000	Furniture, equipment and motor vehicles HK$'000	Total HK$'000
2021			
At 1 January 2021:			
Cost	78,247	174,388	252,635
Accumulated depreciation and impairment	(64,200)	(164,066)	(228,266)
Net carrying amount	14,047	10,322	24,369
At 1 January 2021, net of accumulated depreciation and impairment	14,047	10,322	24,369
Additions	86	896	982
Depreciation provided during the year	(8,115)	(4,135)	(12,250)
At 31 December 2021, net of accumulated depreciation and impairment	6,018	7,083	13,101
At 31 December 2021			
Cost	78,333	175,284	253,617
Accumulated depreciation and impairment	(72,315)	(168,201)	(240,516)
Net carrying amount	6,018	7,083	13,101

13. Property, Plant and Equipment (continued)

	Leasehold improvements HK$'000	Furniture, equipment and motor vehicles HK$'000	Total HK$'000
2020			
At 1 January 2020:			
Cost	74,982	173,713	248,695
Accumulated depreciation and impairment	(54,266)	(158,998)	(213,264)
Net carrying amount	20,716	14,715	35,431
At 1 January 2020, net of accumulated depreciation and impairment	20,716	14,715	35,431
Additions	3,476	2,019	5,495
Eliminated on disposal	(211)	(1,344)	(1,555)
Depreciation provided during the year	(9,934)	(5,068)	(15,002)
At 31 December 2020, net of accumulated depreciation and impairment	14,047	10,322	24,369
At 31 December 2020			
Cost	78,247	174,388	252,635
Accumulated depreciation and impairment	(64,200)	(164,066)	(228,266)
Net carrying amount	14,047	10,322	24,369

14. Other Long Term Assets

	2021 HK$'000	2020 HK$'000
Deposits with HKEx:		
Compensation Fund	**293**	293
Fidelity Fund	**250**	250
Admission fee paid to Hong Kong Securities Clearing Company Limited	**250**	250
Deposit with the Guarantee Fund of the Central Clearing and Settlement System	**683**	1,273
Deposit with the Reserve Fund of HKEx Options Clearing House Limited	**1,500**	1,500
Deposit with the Reserve Fund of Hong Kong Futures Exchange Clearing Corporation Limited	**1,522**	1,515
	4,498	5,081

15. Intangible Assets

	Trading rights HK$'000	**Other licences** HK$'000	**Total** HK$'000
COST			
At 1 January 2020 and 31 December 2020	**20,171**	**1,840**	**22,011**
Written off during the year	**–**	**(1,840)**	**(1,840)**
At 31 December 2021	**20,171**	**–**	**20,171**
ACCUMULATED IMPAIRMENT			
At 1 January 2020 and 31 December 2020	17,821	–	17,821
Impairment during the year	–	1,840	1,840
Written off during the year	–	(1,840)	(1,840)
At 31 December 2021	**17,821**	**–**	**17,821**
NET CARRYING AMOUNT			
At 1 January 2020 and 31 December 2020	2,350	1,840	4,190
At 31 December 2021	**2,350**	**–**	**2,350**

The trading rights represent the eligibility rights to trade on or through the HKEx and Hong Kong Futures Exchange Limited and have no foreseeable limit to the period over which the Group can use to generate net cash flows. As a result, the trading rights are considered by the management of the Group as having indefinite useful lives because they are expected to contribute to net cash inflows indefinitely. The trading rights will not be amortised until their useful lives are determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired. No additional impairment was considered necessary for the years ended 31 December 2021 and 2020.

The other licences used for the Group's operations were not renewed on 31 March 2021. An amount of HK$1,840,000 is impaired and written off for the year ended 31 December 2021 (2020: nil).

16. Right-of-Use Assets

	Leased properties HK$'000	Office equipment HK$'000	Total HK$'000
As at 1 January 2020			
Carrying amount	232,253	1,621	233,874
Depreciation provided during the year	(60,953)	(680)	(61,633)
Additions to right-of-use assets	8,875	1,719	10,594
Termination of lease	(52,623)	(1,376)	(53,999)
As at 31 December 2020 and 1 January 2021			
Carrying amount	127,552	1,284	128,836
Depreciation provided during the year	**(50,814)**	**(376)**	**(51,190)**
Additions to right-of-use assets	**2,339**	**–**	**2,339**
Termination of lease	**(274)**	**–**	**(274)**
As at 31 December 2021			
Carrying amount	**78,803**	**908**	**79,711**

For both years, the Group leases various offices, staff quarters, machinery and office equipment for its operations. Lease contracts are entered into for a fixed term of 12 months to 60 months, and may have extension and termination options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for office equipment and staff quarters. As at 31 December 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense is disclosed as below.

The amount recognised in profit or loss in relation to leases are as follows:

	2021 HK$'000	2020 HK$'000
Interest on lease liabilities	**5,347**	11,609
Expense relating to leases of short-term leases and low-value assets	**2,601**	8,168
Depreciation of right-of-use assets during the year	**51,190**	61,633

17. Financial Assets/(Liabilities) at Fair Value Through Profit or Loss

	2021 HK$'000	2020 HK$'000
Financial assets at FVTPL		
Non-current		
– Unlisted fund investments (note (i))	**1,283,142**	1,789,810
	1,283,142	1,789,810
Current		
– Unlisted fund investments (note (i))	**259,271**	48,003
– Listed equity investments	**275,300**	597,547
– Listed fixed income securities	**1,084,340**	1,945,717
– Unlisted fixed income securities (note (ii))	**412,617**	471,389
– Unlisted put options on listed equity investments at fair value (note (iii))	**–**	653,020
	2,031,528	3,715,676
Total financial assets at FVTPL	**3,314,670**	5,505,486
Financial liabilities at FVTPL		
Current		
Unlisted foreign exchange forward contracts	**17,530**	53,282
Payables to interest holders of an unlisted consolidated investment fund, measured at FVTPL (note (iv))	**37,558**	–
Total financial liabilities at FVTPL	**55,088**	53,282

Notes:

(i) The Group does not expect to transfer the unlisted fund investments of approximately HK$1,283,142,000 (2020: HK$1,789,810,000) to third parties within the next twelve months and has accordingly classified them as non-current assets.

(ii) The coupon rates of these unlisted fixed income securities range from 7% to 8% (2020: from 7% to 8%) per annum as at 31 December 2021. The Group expects to transfer such unlisted fixed income securities to third parties within the next twelve months. The fair value of the unlisted fixed income securities was determined by an independent firm of professional valuers not connected to the Group.

17. Financial Assets/(Liabilities) at Fair Value Through Profit or Loss (continued)

Notes: (continued)

(iii) The Group purchased listed securities together with put options which give the Group the right to require the issuer of the put option, an independent third party, to purchase shares of listed companies in Hong Kong and Australia at a range of pre-determined prices in a specific period. At the expiry date of the put option, the issuer of put option shall purchase and the Group shall sell all shares that have not been sold till then, at a price determined in accordance with the put option agreement. The Group has exercised the put option on 20 November 2021 and 3 December 2021 for two put options respectively.

(iv) Third-party interests in a consolidated investment fund consist of third-party unitholders' interests in a consolidated investment fund which are classified as liabilities.

18. Financial Assets at Fair Value Through Other Comprehensive Income

	2021 **HK$'000**	2020 HK$'000
Non-current:		
Fixed income investments, at fair value	**282,549**	1,591,337
Current:		
Fixed income investments, at fair value	**135,177**	960,124
	417,726	2,551,461

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$58,988,000 (2020: a loss of approximately HK$76,476,000). During the year, the Group has made provision for impairment of financial assets at fair value through other comprehensive income included in profit or loss of HK$186,727,000 (2020: HK$102,084,000). Total allowances for impairment as at 31 December 2021 are HK$409,811,000 (2020: HK$223,084,000). During the year, the Group disposed of financial assets at FVTOCI, and recorded a gain of approximately HK$2,530,000 (2020: a loss of HK$14,184,000), which were 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".

Details of movements in the provision for impairment are set out in note 45.

19. Finance Lease Receivables

The finance lease receivables as at 31 December 2021

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

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

19. Finance Lease Receivables (continued)

The finance lease receivables as at 31 December 2020

	HK$'000
Non-current	463,933
Current	531,634
	995,567

	Minimum finance lease receivables HK$'000	Present value of minimum finance lease receivables HK$'000
Within one year	890,616	810,516
After one year but within two years	543,278	522,519
After two years but within three years	59,400	56,379
	1,493,294	1,389,414
Less: Unearned finance income	(103,880)	–
	1,389,414	1,389,414
Less: Allowance for impairment losses	(393,847)	(393,847)
Carrying amount of finance lease receivables:	995,567	995,567

The movements of ECL on finance lease receivables

	HK$'000
At 1 January 2020	334,520
Net recognition of impairment losses for the year	60,582
Exchange difference arising on translation of foreign operations	(1,255)
At 31 December 2020 and 1 January 2021	**393,847**
Net recognition of impairment losses for the year	**74,281**
At 31 December 2021	**468,128**

19. Finance Lease Receivables (continued)

At 31 December 2021, 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 (2020: 6.80% to 9.75% per annum).

At 31 December 2021, the gross carrying amount of the finance lease receivables, which have been pledged as security for borrowing, was nil (2020: RMB321,523,000 (equivalent to HK$382,020,000)).

20. Other Loans and Debt Instruments

	2021 **HK$'000**	2020 HK$'000
Other loans and debt instruments	**4,424,794**	6,118,324
Provision for allowance on expected credit losses	**(3,281,871)**	(3,007,596)
	1,142,923	3,110,728
Analysed as:		
Current	**327,874**	1,796,813
Non-current	**815,049**	1,313,915
	1,142,923	3,110,728

As at 31 December 2021, other loans and debt instruments have contractual interest rates ranging from 6% to 10% per annum (2020: 6% to 13% per annum) with contractual maturity date up to 6 months from 31 December 2021 (2020: up to 2 years).

As at 31 December 2021, other loans and debt instruments with a carrying amount of approximately HK$1,120,423,000 were secured by equity interests in companies listed in Hong Kong, residential properties in Hong Kong, land and properties in Mainland China, land and properties in the United States, and unlisted equity interests which were backed by guarantees from corporates or individuals (2020: HK$3,081,717,000 were secured by equity interests in companies listed in Hong Kong and Mainland China, land and properties in Mainland China, land and properties in the United States, and unlisted equity interests which were backed by guarantees from corporates or individuals). There were unsecured other loans and debt instruments with a carrying amount of approximately HK$22,500,000 as at 31 December 2021 (2020: HK$29,011,000) which were guaranteed by an independent third party.

20. Other Loans and Debt Instruments (continued)

As at 31 December 2021, the Group has a concentration of credit risk as 66% (2020: 57%) of the total other loans and debt instruments which were due from the Group's five largest borrowing customers. Interest income derived from other loans and debt instruments was recognised as "interest income from other loans and debt instruments" within "revenue".

No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of these other loans and debt instruments.

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 expected credit loss allowance from the ECL model with reference to forward looking factors including macroeconomic factor forecasts and the probability weighted economic scenarios to determine the expected credit loss allowance. For credit impaired other loans and debt instruments, the management of the Group assessed the present values of estimated future cash flows with the consideration of expected future credit losses of the respective other loans and debt instruments which are based on the Group's historical credit loss experience. Moreover, the Group also reviews and assesses the value of the collateral received from the debtors or borrowers 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 loans and debt instruments 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 2021, the average loss rates for 12-month ECL, lifetime ECL (not credit-impaired) and lifetime ECL (credit-impaired) were nil (31 December 2020: 0.03%), 0.01% (31 December 2020: 2.84%) and 79% (31 December 2020: 60%), respectively.

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

Novation loans

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

20. Other Loans and Debt Instruments (continued)

Novation loans (continued)

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 the current year with subsidiary A that, in consideration for the abovementioned assignment of debts and other rights and interests, subsidiary B will pay a gross amount of HK$2,447,008,000 at a transaction price to subsidiary A for the transfer within 3 years. This balance is unsecured and interest-free.

As at 31 December 2021, 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 partial repayments in 2021 amounting to nil (2020: HK$14,499,000) and increase of impairment provision. The assigned loans have gross amount of HK$2,432,509,000 (2020: HK$2,432,509,000) and impairment provision balance of HK$1,617,460,000 (2020: HK$1,118,594,000), resulting in a net balance of HK$815,049,000 (2020: HK$1,313,915,000).

Details of credit risk profile disclosure are set out in "credit risk and impairment assessment" in note 45.

20. Other Loans and Debt Instruments (continued)

The carrying amounts of the Group's other loans and debt instruments are denominated in the following currencies:

	2021	2020
	HK$'000	HK$'000
Hong Kong Dollar	**1,142,923**	2,422,128
United States Dollar ("**US$**")	**–**	171,796
Renminbi ("**RMB**")	**–**	516,804
	1,142,923	3,110,728

21. Investments Accounted for Using the Equity Method and Amount Due from an Associate

		Interest held by the Group		
	Country of	**As at**	As at	
Name of entity	**incorporation**	**31 December 2021**	31 December 2020	**Principal activities**
Hua Rong Bo Run International Investment Holdings Limited	Hong Kong	**40%**	40%	Investment holding

The carrying amount of the investment in an associate, Hua Rong Bo Run International Investment Holdings Limited, accounted for using the equity method (comprised the cost of unlisted investment in the associate, share of results of the associate and exchange differences) was nil as at 31 December 2021 (2020: nil).

There was no (2020: no) share of profit arisen from the associate for the year ended 31 December 2021.

The gross amount of amount due from the associate is HK$304,338,000 (2020: HK$327,761,000) as at 31 December 2021, with an interest rate of 7% per annum, repayable on 21 May 2022 and extendable for 2 years. Provision for impairment of HK$304,338,000 (2020: HK$327,761,000) has been made against the amount due from the associate as at 31 December 2021. The carrying amount of the amount due from the associate was nil as at 31 December 2021 (2020: nil).

22. Advances to Customers in Margin Financing

	2021	2020
	HK$'000	HK$'000
Advances to customers in margin financing	**904,909**	913,636
Less: Provision for allowance on expected credit losses	**(861,171)**	(823,453)
	43,738	90,183

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. Loans for margin financing are secured by the pledge of customers' securities as collateral. The credit facility granted to customers in margin financing are determined by the market value of the collateral securities accepted by the Group. 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 and can be 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 2021 and 2020. The loans are repayable on demand subsequent to the settlement date of the trade and normally carry interest at nil to Hong Kong Prime Rate + 15% per annum (2020: nil to Hong Kong Prime Rate + 15% per annum).

The advances to customers in margin financing have a concentration of credit risk as 93% (2020: 92%) of which were due from the Group's five largest securities margin clients.

22. Advances to Customers in Margin Financing (continued)

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 values 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. 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 independent qualified valuers when the loans also pledged by non-listed collaterals, 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 2021, the average loss rates for 12-month ECL, lifetime ECL (not credit-impaired) and lifetime ECL (credit-impaired) were 0.34% (31 December 2020: 0.13%), nil (31 December 2020: nil) and 98% (31 December 2020: 94%), respectively.

As at 31 December 2021 and 31 December 2020, 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.

During the year ended 31 December 2020, subsidiary A has signed deeds of assignment with certain margin customers effective on 30 April 2020 which was detailed in note 20.

23. Accounts Receivable

	2021 **HK$'000**	2020 HK$'000
Accounts receivable from:		
– securities, futures and options dealing services		
– clients	**507**	3,680
– brokers, dealers and clearing houses	**367,788**	86,903
– corporate finance and asset management	**90,925**	83,241
– direct investment and others	**637,286**	82,224
	1,096,506	256,048
Less: Provision for allowance on expected credit losses	**(276,419)**	(91,164)
	820,087	164,884

23. Accounts Receivable (continued)

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, dealers and 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 provision for impairment, is as follows:

	2021	2020
	HK$'000	HK$'000
0–30 days	**820,043**	90,429
31–90 days	**44**	74,455
91–365 days	**–**	–
Over 365 days	**–**	–
	820,087	164,884

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

	2021	2020
	HK$'000	HK$'000
At beginning of year	**91,164**	82,410
Impairment losses, net	**185,255**	12,149
Amount written off during the year	**–**	(3,395)
At end of year	**276,419**	91,164

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.

23. Accounts Receivable (continued)

Details of credit risk profile disclosure are set out in "credit risk and impairment assessment" in note 45.

As at 31 December 2021, accounts receivable amounting to HK$90,925,000 (2020: HK$83,241,000) arose from the corporate finance and asset management business which is under the scope of HKFRS 15 and accounts receivable amounting to HK$637,286,000 (2020: HK$82,224,000) was arising from direct investment business. The Group performs impairment assessment under lifetime ECL on these balances individually for debtors. As at 31 December 2021, allowance amounting to HK$276,141,000 (2020: HK$90,891,000) was made accordingly. The remaining provision for the impairment of accounts receivable is the provision for individually impaired accounts receivable from securities clients of approximately HK$278,000 (2020: HK$273,000).

24. Prepayments, Deposits and Other Receivables

	2021 **HK$'000**	2020 HK$'000
Non-current		
Deposits	**21,728**	20,937
	21,728	20,937
Current		
Prepayments	**59,691**	23,211
Deposits	**81,457**	2,280
Other receivables (note (i))	**216,669**	120,167
	357,817	145,658
	379,545	166,595

Note:

(i) As at 31 December 2021, approximately HK$163,444,000 was an amount due from Dong Yin Development (Holdings) Limited in relation to the disposal of subsidiaries. Please refer to note 40 for details.

25. Deferred Taxation

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority. The deferred income tax assets and liabilities are to be utilised and settled after one year and the following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position.

	2021 **HK$'000**	2020 HK$'000
Deferred tax assets	**–**	52,232
Deferred tax liabilities	**–**	(2,093)
	–	50,139

The movements in deferred tax assets/(liabilities) during the year are as follows:

	Tax losses HK$'000	**Temporary difference on net unrealised gain on financial assets/ liabilities at FVTPL** HK$'000	**Total** HK$'000
At 1 January 2020	52,232	(10,427)	41,805
Credit to profit or loss	–	8,334	8,334
At 31 December 2020	52,232	(2,093)	50,139
At 1 January 2021	**52,232**	**(2,093)**	**50,139**
(Charge)/credit to profit or loss	**(52,232)**	**2,093**	**(50,139)**
At 31 December 2021	**–**	**–**	**–**

25. Deferred Taxation (continued)

At the end of the year, the Group has unused tax losses arising in Hong Kong of approximately HK$6,644,506,000 (2020: HK$5,506,016,000) 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$110,987,000 (2020: HK$68,275,000) that will expire in one to five years for offsetting against future taxable profits. As of 31 December 2021, no deferred tax asset has been recognised due to the unpredictability of future profit streams. As of 31 December 2020, a deferred tax asset has been recognised in respect of HK$316,558,000 of such losses; and no deferred tax asset has been recognised in respect of the remaining HK$3,730,796,000 due to the unpredictability of future profit streams. These losses have arisen in group companies that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

At 31 December 2021, the Group has other deductible temporary differences of HK$2,003,602,000 (2020: HK$1,656,931,000). 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 2021 and 2020, 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.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

26. Amounts Due from/(to) Related Parties

The balances with the immediate holding company, an intermediate holding company and fellow subsidiaries are non-trade in nature which are unsecured, interest-free and repayable on demand.

27. Restricted Bank Balances

The Group maintains segregated trust accounts with licenced banks to hold clients' monies arising from its normal course of business licenced by the SFC. The Group has classified these clients' monies as restricted bank balances under the current assets section of the consolidated statement of financial position and recognised the corresponding amounts payable to the respective clients on the ground that it is liable for any loss or misappropriation of these client's monies. The Group is not permitted to use the clients' monies to settle its own obligations.

28. Deposits in other Financial Institutions

The amounts represented deposits placed with securities brokers for securities trading purposes and carry interest at prevailing market rates.

29. Cash and Cash Equivalents and Pledged Bank Deposit

	2021	2020
	HK$'000	HK$'000
Cash and bank balances	**1,760,541**	1,637,413
Time deposit	**92,243**	95,893
	1,852,784	1,733,306
Less:		
Pledged time deposit for a bank borrowing	**–**	(13,000)
Cash and cash equivalents	**1,852,784**	1,720,306

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposit are deposited with creditworthy banks with no recent history of default.

As at 31 December 2021, no time deposit has been pledged for a bank borrowing (2020: HK$13,000,000).

30. Accounts Payable

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

	2021	2020
	HK$'000	HK$'000
Current to 1 month	**224,432**	616,572

As at 31 December 2021, included in the accounts payable is the accounts payable to financial institutions of nil (2020: HK$219,904,000) which is maintained for investment trading. The balance is interest-bearing.

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

As at 31 December 2021, accounts payable with a carrying amount of approximately HK$224,115,000 (2020: HK$396,615,000) are interest-bearing at bank savings deposit rates.

31. Other Liabilities, Payables and Accruals

	2021 HK$'000	2020 HK$'000
Current:		
Other payables	**118,730**	67,894
Interest payables (note (i))	**70,963**	424,396
Accruals	**11,578**	19,327
Receipt in advance	**109,181**	197,217
	310,452	708,834
Non-current:		
Other payables	**1,416**	18,204
	311,868	727,038

Other payables and accrued liabilities are non-interest-bearing.

Note:

(i) Included in interest payables are the interest payables of HK$29,329,000 (2020: HK$29,158,000) in relation to the loans from the intermediate holding company of an aggregate amount of US$605,115,000 (2020: US$605,115,000) at annual interest rates ranging from 4.3% to 7.98% (2020: 4.3% to 7.98%) and interest payables of HK$20,064,000 (2020: HK$15,861,000) in relation to the bank borrowings. Moreover, interest payables of HK$20,168,000 (2020: HK$285,229,000) are related to the loans from an immediate holding company and those of HK$1,402,000 (2020: HK$94,148,000) are related to unsecured loans from fellow subsidiaries.

32. Interest-Bearing Borrowings

	2021 **HK$'000**	2020 HK$'000
Non-current:		
Secured bank borrowings	**–**	31,150
Unsecured loans from an intermediate holding company	**4,245,740**	4,691,214
Unsecured loans from an immediate holding company	**1,681,869**	2,022,962
	5,927,609	6,745,326
Current:		
Secured bank borrowings	**–**	216,151
Unsecured bank borrowings	**1,599,000**	3,111,457
Unsecured loans from fellow subsidiaries	**61,155**	593,365
Unsecured loans from an immediate holding company	**352,956**	–
Unsecured loans from an intermediate holding company	**472,986**	–
	2,486,097	3,920,973
Total interest-bearing borrowings	**8,413,706**	10,666,299

	2021 **HK$'000**	2020 HK$'000
The carrying amounts of the above borrowings are repayable based on scheduled repayment dates set out in the loan agreements:		
On demand or within one year	**2,486,097**	3,920,973
Within a period of more than one year but not exceeding two years	**237,723**	852,275
Within a period of more than two years but not exceeding five years	**2,912,600**	3,966,473
Within a period of more than five years	**2,777,286**	1,926,578
	8,413,706	10,666,299

	2021 **HK$'000**	2020 HK$'000
Denominated in:		
HK$	**1,599,000**	2,629,000
US$	**6,753,551**	7,326,632
RMB	**61,155**	710,667
	8,413,706	10,666,299

32. Interest-Bearing Borrowings (continued)

As at 31 December 2020, bank borrowings of HK$247,301,000 are secured by finance lease receivables of HK$382,020,000 and secured by pledged bank deposit of HK$13,000,000. As at 31 December 2021, there were no secured bank borrowings.

As at 31 December 2021, Group has utilised bank credit facilities of approximately HK$1,599,000,000 subject to floating interest rates. As at 31 December 2020, Group has utilised bank credit facilities of approximately HK$3,358,758,000, comprising HK$247,301,000 subject to interest at fixed annual rates ranging from 3.9% to 6.1%, and HK$3,111,457,000 are subject to floating interest rates.

In addition, the Group had loans amounting to approximately US$605,115,000 (equivalent to approximately HK$4,718,726,000) (2020: US$605,115,000 (equivalent to approximately HK$4,691,214,000)) from its intermediate holding company for the operation of the Group's business. The loans bear interest at fixed interest rates ranging from 4.3% to 7.98% per annum (2020: 4.3% to 7.98% per annum) and are repayable in five months and within eight years (31 December 2020: after one year to nine years) from the end of the year.

Furthermore, the Group had loans of US$260,940,000 (equivalent to approximately HK$2,034,825,000) (2020: the Group had loans of US$260,940,000 (equivalent to approximately HK$2,022,962,000)) from its immediate holding company for the operation of the Group's business. The loans bear interest at fixed interest rates ranging from 3.87% to 5.81% per annum (2020: 3.87% to 5.81% per annum) and are repayable in six months and within eight years (31 December 2020: after two years and within nine years from the end of the year).

In addition, the Group had a loan of RMB50,000,000 (equivalent to approximately HK$61,155,000) (2020: a loan of RMB499,400,000 (equivalent to approximately HK$593,365,000)) from its fellow subsidiary for the operation of the Group's business. The loans bear interest at fixed interest rate of 4.75% per annum (2020: 4.75% per annum) and are repayable on demand (2020: repayable within one year) from the end of the year.

The carrying amounts of the interest-bearing borrowings approximate to their fair values as the impact on discounting is not significant.

As at 31 December 2021, the Group failed to comply with a financial condition stipulated in a bank borrowing amounting to HK$624,000,000. Up to the date of the issuance of these consolidated financial statements, the relevant bank granted a waiver to the Group and continued to provide normal banking facilities to the Group.

Subsequent to 31 December 2021, the Group communicated and confirmed with various banks related to certain bank borrowings. Pursuant to the agreements with the banks, the next review dates of bank borrowings of HK$775 million, HK$624 million and HK$200 million will be October 2022, August 2022 and August 2022, respectively.

Moreover, the Group has obtained a new bank facility of HK$130,000,000 in January 2022.

33. Repurchase Agreements

Repurchase agreements arise when the securities are sold by the Group with a concurrent agreement to repurchase at a specified later date and price. These securities are not derecognised from the Group's consolidated statement of financial position and are retained within the appropriate financial assets classification. The amount received by the Group is recognised as liabilities as the Group retains substantially all risks and returns of the securities.

As at 31 December 2021, the obligations under repurchase agreements were HK$474,139,000 (31 December 2020: HK$1,252,605,000).

The following table specifies the amount included within financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income subject to repurchase agreements at the year end.

	2021 **HK$'000**	2020 HK$'000
Financial assets at fair value through other comprehensive income	**259,658**	737,137
Financial assets at fair value though profit or loss	**536,351**	1,077,083
	796,009	1,814,220

34. Lease Liabilities

	2021 **HK$'000**	2020 HK$'000
Maturity of lease liabilities:		
Within one year	**58,331**	55,593
Within a period of more than one year but not more than two years	**29,351**	56,937
Within a period of more than two years but not more than five years	**346**	29,325
	88,028	141,855
Less: Amount due for settlement with 12 months shown under current liabilities	**(58,331)**	(55,593)
Amount due for settlement after 12 months shown under non-current liabilities	**29,697**	86,262

The carrying amount of lease liabilities and the movements during the year are as follows.

	2021 **HK$'000**	2020 HK$'000
Carrying amount at 1 January	**141,855**	262,603
New leases	**2,339**	10,594
Accretion of interest recognized during the year	**5,347**	11,609
Payments	**(61,506)**	(109,565)
Termination of lease	**(7)**	(33,386)
Carrying amount at 31 December	**88,028**	141,855

35. Share Capital

	Number of shares '000,000	Share capital HK$'000
Authorised:		
Ordinary shares of HK$0.001 each at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	1,000,000	1,000,000
Issued and fully paid:		
At 1 January 2020	3,588	3,588
Issue of shares	5,122	5,122
At 31 December 2020 and 31 December 2021	**8,710**	**8,710**

All shares issued during the prior period rank pari passu with the then existing ordinary shares in all respects.

36. Share Option Scheme

Pursuant to an ordinary resolution passed at the annual general meeting held on 9 September 2011, a share option scheme (the "**Scheme**") was adopted. The Scheme became effective on 9 September 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The purpose of the Scheme is to enable the Group to grant options to the Eligible Participants (as defined below) as incentives or rewards for their contribution to the Group.

The maximum number of shares issuable under share options to each Eligible Participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at the exercise date. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The directors of the Company shall, in accordance with the provisions of the Scheme, be entitled but shall not be bound at any time during which the Scheme is effective to make an offer to any person belonging to the following classes of participants (the "**Eligible Participants**") to subscribe:

(a) any employee who is an employee (whether full time or part time, including any executive director but excluding any non-executive director) of the Company, any subsidiary of the Company (the "**Subsidiaries**") or any invested entities (the "**Invested Entities**") whose equity interests are held by the Group;

(b) any non-executive directors (including independent non-executive directors) of the Company, the Subsidiaries or the Invested Entities;

36. Share Option Scheme (continued)

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer of the Group or the Invested Entities;

(e) any person or entity that provides research, development or other technological support to the Group or the Invested Entities;

(f) any shareholder of any member of the Group or any Invested Entities or any holder of any securities issued by any member of the Group or any Invested Entities;

(g) any other group or classes of participants from time to time determined by the directors as having contributed or may contribute by way of joint venture and business alliance to the development and growth of the Group; and

(h) any company wholly owned by one or more Eligible Participants.

Share options to be granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company.

In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors of the Company, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of offer of the share options.

The subscription price of the share options is determinable by the directors of the Company, but must be at least the higher of (i) HKEx closing price of the Company's shares on the date of offer of the share options which must be a business day; and (ii) the average HKEx closing price of the Company's shares as stated in HKEx's daily quotations sheets for the five trading days immediately preceding the date of offer.

No share options were granted or outstanding under the Scheme during the years ended 31 December 2021 and 2020. As at 31 December 2020, the number of share options available for issue under the Scheme was 327,810,791, representing approximately 3.76% of the total number of issued shares of the Company. The share option scheme expired on 8 September 2021.

37. Perpetual Capital Securities Classified as Equity Instruments

	Principal HK$'000	Distribution HK$'000	Total HK$'000
Balance at 1 January 2020	1,186,854	20,576	1,207,430
Issuance of perpetual capital securities during the year	1,550,300	–	1,550,300
Profit attributable to holder of perpetual capital securities	–	111,403	111,403
Distribution relating to perpetual capital securities	–	(113,261)	(113,261)
Balance at 31 December 2020 and 1 January 2021	**2,737,154**	**18,718**	**2,755,872**
Profit attributable to holder of perpetual capital securities	**–**	**157,324**	**157,324**
Distribution relating to perpetual capital securities	**–**	**(157,415)**	**(157,415)**
Balance at 31 December 2021	**2,737,154**	**18,627**	**2,755,781**

In 2020, the Company issued perpetual capital securities with the principal amount of US$200,000,000 (equivalent to approximately HK$1,550,300,000) to CHIH, an intermediate holding company of the Company. The perpetual capital securities are classified as equity instruments, as there is no maturity of the instruments and the payments of distribution can be deferred into perpetuity at the discretion of the Company. When the Company elects to distribute, the distribution to the holder of perpetual capital securities shall be made at the distribution rate as set out in the subscription agreement.

38. Application of Merger Accounting and Reserves

On 10 November 2020 (Cayman Islands time), the privatization of HRIV by the Company has been completed. There were the allotment and issuance of 5.1 billion ordinary shares as consideration for the cancellation of all the HRIV shares in connection with the privatization of HRIV by the Company. Since both the Company and HRIV are under common control, the management of the Group has applied the merger accounting method in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA in the preparation of financial statements.

The statements of the adjustments to the consolidated equity as at 31 December 2020 are as follows:

At 31 December 2020

	Before combination HK$'000	Equity under common control HK$'000	Adjustment HK$'000	After combination HK$'000
Share capital	8,710	18,160	(18,160)	8,710
Merger reserve	–	(87,838)	87,838	–
Share premium	2,940,297	558,060	(278,108)	3,220,249
Retained earnings and other reserves	(4,165,865)	(795,720)	(1,097,456)	(6,059,041)
	(1,216,858)	(307,338)	(1,305,886)	(2,830,082)
Perpetual capital securities classified as equity investments	2,755,872	1,455,386	(1,455,386)	2,755,872
Non-controlling interests	–	–	1,455,386	1,455,386
	1,539,014	1,148,048	(1,305,886)	1,381,176

The amounts of the Group's reserves and the movements therein for the prior year are presented in the consolidated statement of changes in equity of these consolidated financial statements.

39. Commitments

	2021 HK$'000	2020 HK$'000
Fund commitments		
Commitments in respect of capital contribution to the investment fund	**30,391**	27,936

40. Disposal of Subsidiaries

On 17 December 2021, the Company as vendor and Dong Yin Development (Holdings) Limited ("**Dong Yin**") as purchaser entered into a portfolio sale agreement, pursuant to which the Company has agreed to sell and procure its relevant affiliates to sell the entire issued shares of Triple Ocean Limited, True Elegant Limited and Jade Coronet Limited (collectively as the "**Target Companies**") to Dong Yin at an aggregate consideration of US$41,919,100. Upon completion of the disposal, the Company ceased to hold any interests in the Target Companies and the financial results of the Target Companies will cease to be consolidated into the accounts of the Group. The disposal was fully completed on 20 December 2021. A consideration of US$20,959,550 (approximately HK$163,444,000) was settled on 17 December 2021 and the remaining US$12,575,730 (approximately HK$98,066,000) and US$8,383,820 (approximately HK$65,378,000) will be settled on or before 20 December 2022 and 20 December 2023, respectively.

Analysis of assets and liabilities over which control was lost in 2021:

	True Elegant Limited HK$'000	Jade Coronet Limited HK$'000	Triple Ocean Limited HK$'000	Total HK$'000
Non-current assets				
Financial assets at fair value through profit or loss	167,051	–	–	167,051
Total non-current assets	167,051	–	–	167,051
Current assets				
Other loans and debt instruments	–	161,581	–	161,581
Prepayments, deposits and other receivables	–	24,985	–	24,985
Total current assets	–	186,566	–	186,566
Net assets disposed of	167,051	186,566	–	353,617

40. Disposal of Subsidiaries (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2021 **HK$'000**
Cash consideration	**163,444**
Cash and bank balances disposed of	**–**
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**163,444**

41. Contingent Liabilities

Regarding the alleged claims against Huarong International Securities Limited (formerly known as United Simsen Securities Limited) ("**HISL**"), an indirectly wholly-owned subsidiary of the Company, that was previously disclosed in the audited financial statements of the Group for the period from 1 May 2015 to 31 December 2015, the plaintiff did not take any further action since August 2013 but HISL has instead pursued its counterclaim against the plaintiff as the Directors consider that HISL has good defence and a strong case. In early March 2020, the plaintiff and HISL reached a settlement in respect with such proceeding and the consent order made by the Court of First Instance of the High Court of the Hong Kong Special Administrative Region became effective on 9 March 2020 subsequently.

Save as disclosed above, the Group had no other material contingent liabilities at 31 December 2021 and 2020.

42. Related Party Transactions

(a) Compensation of key management personnel of the Group:

The emoluments paid to the directors of the Company, who are the key management personnel of the Group, are included in note 8.

42. Related Party Transactions (continued)

(b) Save as disclosed below and elsewhere in these consolidated financial statements, the Group did not have any material transactions with related parties during the year ended 31 December 2021 and 31 December 2020.

Details as follow:

	2021				2020			
	Interest income HK'000	Underwriting fee income HK'000	Other income HK'000	Finance costs HK'000	Interest income HK'000	Underwriting fee income HK'000	Other income HK'000	Finance costs HK'000
Intermediate holding company (i)	-	-	-	246,818	–	–	–	354,252
Fellow subsidiaries (ii)	-	485	-	-	–	480	–	–
Fellow subsidiary (iii)	-	-	-	-	–	–	10,354	–
Fellow subsidiary (iv)	-	-	-	27,110	–	–	–	29,309
Immediate holding company (v)	-	-	-	100,778	–	–	–	109,503
Associate (vi)	-	-	-	-	23,418	–	–	–
	-	485	-	374,706	23,418	480	10,354	493,064

(i) The Group had loans amounting to approximately US$605,115,000 (equivalent to approximately HK$4,718,726,000) (2020: US$605,115,000 (equivalent to approximately HK$4,691,214,000)) from its intermediate holding company for the operation of the Group's business. Please refer to note 32 for details of the loans and note 31 for the interest payable of the loans. As a result, finance cost of HK$246,818,000 (2020: HK$354,252,000) was resulted for the year ended 31 December 2021.

(ii) During the year ended 31 December 2021, the Group earned underwriting income of US$62,520 (equivalent to approximately HK$485,000) (2020: US$61,920 (equivalent to approximately HK$480,000) from its fellow subsidiaries in respect of the issuance of medium term notes.

(iii) During the year, there was no (2020: HK$10,354,000) other income generated from a fellow subsidiary in respect of the rental of property.

42. Related Party Transactions (continued)

(b) (continued)

(iv) During the year, the Group had a loan denominated in RMB of approximately RMB50,000,000 (equivalent to approximately HK$61,155,000) (2020: a loan denominated in RMB of approximately RMB499,400,000 (equivalent to approximately HK$593,365,000)) from its fellow subsidiary for the operation of the Group's business. Please refer to note 32 for details of the loans and note 31 for the interest payable of the loans. As a result, finance cost of HK$27,110,000 (2020: HK$29,309,000) was resulted for the year ended 31 December 2021.

(v) During the year, the Group had loans amounting to approximately US$260,940,000 (equivalent to approximately HK$2,034,825,000) (2020: the Group had loans amounting to approximately US$260,940,000 (equivalent to approximately HK$2,022,962,000)) from its immediate holding company for the operation of the Group's business. Please refer to note 32 for details of the loans and note 31 for the interest payable of the loans. As a result, finance cost of HK$100,778,000 (2020: HK$109,503,000) was resulted for the year ended 31 December 2021.

(vi) During the year ended 31 December 2021, the Group earned no (2020: HK$23,418,000) interest income from an associate.

The related party transactions in respect of item (ii) constitute continuing connected transactions to be disclosed in the annual report as defined in Chapter 14A of the Listing Rules.

The Group is indirectly controlled by China Huarong, which is indirectly controlled by the PRC government through the MOF. The MOF is the major shareholder of China Huarong as at 31 December 2021. For the current year, the Group has undertaken transactions with certain entities directly or indirectly owned by the PRC government, including but not limited to receiving loan facilities and rendering underwriting services. The Group is of opinion that these transactions are in normal business terms that do not require separate disclosure.

(c) Outstanding balances with related parties

Save as disclosed above and elsewhere in these consolidated financial statements, the Group did not have other material outstanding balances with related parties during the year ended 31 December 2021. Please refer to note 26 for the nature of amounts due from/(to) related parties.

(d) Extension of internal borrowings

Subsequent to the year end, the Group has obtained extensions from CHIH on intercompany borrowings with an aggregate balance of HK$887,097,000. There are no intercompany borrowings fall due within the next twelve months from 31 December 2022 after the extensions.

43. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments at the end of the reporting periods are as follows:

31 December 2021

Financial assets

	Financial assets at FVTPL HK$'000	Financial assets at amortised cost HK$'000	Financial assets at FVTOCI HK$'000	Total HK$'000
Other long term assets	–	4,498	–	4,498
Advances to customers in margin financing	–	43,738	–	43,738
Accounts receivable	–	820,087	–	820,087
Deposits and other receivables	–	319,854	–	319,854
Other loans and debt instruments	–	1,142,923	–	1,142,923
Amounts due from related parties	–	4,539	–	4,539
Financial assets at FVTPL	3,314,670	–	–	3,314,670
Financial assets at FVTOCI	–	–	417,726	417,726
Finance lease receivables	–	842,857	–	842,857
Restricted bank balances	–	215,590	–	215,590
Deposits in other financial institutions	–	14,457	–	14,457
Cash and cash equivalents	–	1,852,784	–	1,852,784
	3,314,670	5,261,327	417,726	8,993,723

43. Financial Instruments by Category (continued)

31 December 2021

Financial liabilities

	Financial liabilities at FVTPL HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Accounts payable	–	224,432	224,432
Other payables	–	202,687	202,687
Interest-bearing borrowings	–	8,413,706	8,413,706
Amounts due to related parties	–	56,034	56,034
Lease liabilities	–	88,028	88,028
Repurchase agreements	–	474,139	474,139
Financial liabilities at FVTPL	55,088	–	55,088
	55,088	9,459,026	9,514,114

43. Financial Instruments by Category (continued)

31 December 2020

Financial assets

	Financial assets at FVTPL HK$'000	Financial assets at amortised cost HK$'000	Financial assets at FVTOCI HK$'000	Total HK$'000
Other long term assets	–	5,081	–	5,081
Advances to customers in margin financing	–	90,183	–	90,183
Accounts receivable	–	164,884	–	164,884
Deposits and other receivables	–	143,384	–	143,384
Other loans and debt instruments	–	3,110,728	–	3,110,728
Amounts due from related parties	–	3,825	–	3,825
Financial assets at FVTPL	5,505,486	–	–	5,505,486
Financial assets at FVTOCI	–	–	2,551,461	2,551,461
Finance lease receivables	–	995,567	–	995,567
Restricted bank balances	–	380,295	–	380,295
Deposits in other financial institutions	–	16,921	–	16,921
Pledge bank deposit	–	13,000	–	13,000
Cash and cash equivalents	–	1,720,306	–	1,720,306
	5,505,486	6,644,174	2,551,461	14,701,121

43. Financial Instruments by Category (continued)

31 December 2020

Financial liabilities

	Financial liabilities at FVTPL HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Accounts payable	–	616,572	616,572
Other payables	–	510,494	510,494
Interest-bearing borrowings	–	10,666,299	10,666,299
Amounts due to related parties	–	59,341	59,341
Lease liabilities	–	141,855	141,855
Repurchase agreements	–	1,252,605	1,252,605
Financial liabilities at FVTPL	53,282	–	53,282
	53,282	13,247,166	13,300,448

44. Fair Value and Fair Value Hierarchy of Financial Instruments

Fair value of the Group's financial assets or liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets or liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

44. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

Fair value of the Group's financial assets or liabilities that are measured at fair value on a recurring basis (continued)

An analysis of the Group's financial assets or liabilities measured at fair value as at 31 December 2021 are as follows:

	Fair value as at 31 December 2021 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Reasonable change in key inputs +/–	Increase/(decrease) in fair value of financial instruments by reasonable changes in significant inputs
Financial assets at FVTPL						
(1)	**Listed equity investments: HK$275,300**	Level 1	Note (a)	N/A	N/A	N/A
(2)	**Listed fixed income securities: HK$1,084,340**	Level 2	Note (b)	N/A	N/A	N/A
(3)	**Unlisted fund investments: HK$411,343**	Level 2	Note (g)	N/A	N/A	N/A
(4)	**Unlisted fund investments: HK$356,691**	Level 3	Note (d)	Net asset value	1,000 basis points	Increase/decrease in net asset value of HK$35,669,000/ HK$(35,669,000)
(5)	**Unlisted fund investments: HK$774,379**	Level 3	Notes (d) and (f)	Net asset value	1,000 basis points	Increase/decrease in net asset value of HK$77,438,000/ HK$(77,438,000)
(6)	**Unlisted convertible bonds: HK$412,617**	Level 3	Note (c)	Expected recovery rate	1,000 basis points	Increase/decrease of HK$36,000,000/ HK$(36,000,000)
Financial assets at FVTOCI						
(7)	**Listed fixed income securities: HK$417,726**	Level 2	Note (b)	N/A	N/A	N/A

44. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

Fair value of the Group's financial assets or liabilities that are measured at fair value on a recurring basis (continued)

An analysis of the Group's financial assets or liabilities measured at fair value as at 31 December 2020 are as follows:

	Fair value as at 31 December 2020 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Reasonable change in key inputs +/–	Increase/(decrease) in fair value of financial instruments by reasonable changes in significant inputs
Financial assets at FVTPL						
(1)	Listed equity investments: HK$597,547	Level 1	Note (a)	N/A	N/A	N/A
(2)	Unlisted put option: HK$580,448	Level 3	Note (i)	Expected volatility: 28.23%	1,000 basis points (volatility ranging from 25.41% to 31.05%)	Increase/decrease in volatility: HK$2,000/ HK$(1,000)
(3)	Unlisted put option: HK$72,572	Level 3	Note (i)	Expected volatility: 72.24%	1,000 basis points (volatility ranging from 65.01% to 79.46%)	Increase/decrease in volatility: HK$908,000/ HK$(773,000)
(4)	Listed fixed income securities: HK$1,945,717	Level 2	Note (b)	N/A	N/A	N/A
(5)	Unlisted fund investments: HK$468,342	Level 2	Note (g)	N/A	N/A	N/A
(6)	Unlisted fund investments: HK$377,071	Level 3	Note (d)	Net asset value	1,000 basis points	Increase/decrease in net asset value of HK$37,707,000/ HK$(37,707,000)
(7)	Unlisted fund investments: HK$170,393	Level 3	Note (h)	Net asset value	1,000 basis points	Increase/decrease in net asset value of HK$17,039,000/ HK$(17,039,000)

44. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

Fair value of the Group's financial assets or liabilities that are measured at fair value on a recurring basis (continued)

	Fair value as at 31 December 2020 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Reasonable change in key inputs +/–	Increase/(decrease) in fair value of financial instruments by reasonable changes in significant inputs
Financial assets at FVTPL						
(8)	Unlisted fund investments: HK$822,007	Level 3	Note (b) and (f)	Net asset value	1,000 basis points	Increase/decrease in net asset value of HK$82,201,000/ HK$(82,201,000)
(9)	Unlisted convertible bonds: HK$471,389	Level 3	Notes (c), (f) and (j)	Liquidity spread: 7.88%	1,000 basis points	Decrease/increase in liquidity spread: HK$283,000/ HK$(279,000)
				Expected Recovery rate		Increase/decrease of HK$35,278,000/ HK$(35,278,000)
Financial assets at FVTOCI						
(10)	Listed fixed income securities: HK$2,299,395	Level 2	Note (b)	N/A	N/A	N/A
(11)	Unlisted fixed income securities: HK$252,066	Level 3	Note (k)	Discount rate: 14.97%	1,000 basis points (ranging from 13.47% to 16.47%)	Decrease/increase in discount rate: HK$2,009,000/ HK$(2,414,000)

44. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

Fair value of the Group's financial assets or liabilities that are measured at fair value on a recurring basis (continued)

An analysis of the Group's financial assets or liabilities measured at fair value as at 31 December 2021 are as follows:

	Fair value as at 31 December 2021 HK$'000	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**	**Significant unobservable inputs**	**Reasonable change in key inputs +/–**	**Increase/ (decrease) in fair value of financial instruments by reasonable changes in significant inputs**
Financial liabilities at FVTPL						
(1) Payables to interest holders of unlisted consolidated investment funds, measured at FVTPL	**HK$37,558**	Level 2	Note (e)	N/A	N/A	N/A
(2) Unlisted foreign exchange forward contracts	**HK$17,530**	Level 2	Note (b)	N/A	N/A	N/A

An analysis of the Group's financial assets or liabilities measured at fair value as at 31 December 2020 are as follows:

	Fair value as at 31 December 2020 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Reasonable change in key inputs +/–	Increase/ (decrease) in fair value of financial instruments by reasonable changes in significant inputs
Financial liabilities at FVTPL						
(1) Unlisted foreign exchange forward contracts	HK$53,282	Level 2	Note (b)	N/A	N/A	N/A

44. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

Fair value of the Group's financial assets or liabilities that are measured at fair value on a recurring basis (continued)

Notes:

(a) Quoted price in an active market.

(b) The fair value was determined with reference to quoted prices provided by brokers/financial institutions.

(c) The fair value is determined based on the expected recovery rate of the underlying investments.

(d) The fair value is determined with reference to the net asset value of the investment fund after taking into account the credit risk of underlying investments of the fund.

(e) The fair value was determined based on the proportional share of the net asset value of a consolidated investment fund.

(f) The fair value is determined with reference to the net asset value of the unlisted equity investments after taking into account the credit risk of the underlying investments of the fund.

(g) Dealing price of the investment funds derived from the net asset values of the investment funds with reference to observable quoted prices of underlying investment portfolio in active markets.

(h) The fair value is determined with reference to the net asset value of the unlisted equity and partnership investments which are the deemed resale price of the investments provided by the external counter-parties. The directors have determined that the reported net asset values represent the fair values of these investments.

(i) The fair value is determined based on option pricing model with exercise price of the options, current share price of the underlying assets of the options, expected volatility, time to maturity, risk-free rate, dividend yield and discount rate.

(j) The fair value is based on the contractual selling price with an independent third party and the closing price of the listed equity securities at the end of the year.

(k) The fair value is determined with reference to credit spread of the fixed income securities.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

44. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

31 December 2021

	Fair value measurement			
	(Level 1)	**(Level 2)**	**(Level 3)**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets at FVTPL	**275,300**	**1,495,683**	**1,543,687**	**3,314,670**
Financial assets at FVTOCI	**–**	**417,726**	**–**	**417,726**
	275,300	**1,913,409**	**1,543,687**	**3,732,396**
Financial liabilities at FVTPL	**–**	**55,088**	**–**	**55,088**

31 December 2020

	Fair value measurement			
	(Level 1)	(Level 2)	(Level 3)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at FVTPL	597,547	2,414,059	2,493,880	5,505,486
Financial assets at FVTOCI	–	2,299,395	252,066	2,551,461
	597,547	4,713,454	2,745,946	8,056,947
Financial liabilities at FVTPL	–	53,282	–	53,282

44. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

Fair value hierarchy (continued)

Reconciliation of Level 3 fair value measurements

The movements in fair value measurements in Level 3 during the year are as follows:

	2021 **HK$'000**	2020 HK$'000
Financial assets:		
At beginning of the year	**2,745,946**	2,213,960
Transfer into level 3	**–**	942,627
Purchased during the year	**8,585**	11,881
Disposed of during the year	**(1,075,480)**	(149,176)
Total gain or loss in profit or loss, or other comprehensive income	**(135,364)**	(273,346)
At end of the year	**1,543,687**	2,745,946

During the year, the total loss for the year included in profit or loss, or other comprehensive income was loss of HK$135,364,000 (2020: loss of HK$273,346,000) relating to financial assets at FVTPL and financial asset at FVTOCI. During the year ended 31 December 2020, there are no other assets transferred to different levels except the one in the table above. Fair value gains or losses on financial assets at FVTPL are included in "net loss on financial assets at fair value through profit or loss" and fair value gains or losses on financial liabilities are included in "other income and gains or losses, net".

45. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise financial assets at FVTOCI, other long term assets, financial assets at FVTPL, advances to customers in margin financing, other loans and debt instruments, finance lease receivables, accounts receivable, deposits and other receivables, restricted bank balances, cash and cash equivalents, amount due from an associate, amounts due from related parties, deposits in other financial institutions, accounts payable, interest-bearing borrowings, other payables, amounts due to related parties, lease liabilities, financial liabilities at FVTPL and repurchase agreement. Details of these financial instruments are disclosed in the respective notes.

The main risks arising from the Group's financial instruments are foreign currency risk, other price risk, interest rate risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

Foreign currency risk is the risk that the value of an asset and liability denominated in foreign currency will fluctuate because of changes in foreign exchange rates. The Group's foreign currency risk primarily arises from sales purchases, loans and investments by operating entities in currencies other than the entities' functional currency.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Foreign currency	**2021**	2020
		HK$'000	HK$'000
Financial assets at FVTPL	US$	**2,534,508**	3,046,506
	RMB	**97,821**	59,338
	AUD	**39,149**	122,102
Accounts receivable	RMB	**–**	3,012
	US$	**357,044**	58,168
	AUD	**58,215**	–
Finance lease receivables	RMB	**842,857**	995,567
Other receivables	US$	**163,910**	161,581
	RMB	**12,008**	9,262
Financial assets at FVTOCI	US$	**417,726**	2,551,461
Restricted bank balances	US$	**1,206**	6,692
	RMB	**272**	243

45. Financial Risk Management Objectives and Policies (continued)

Foreign currency risk (continued)

	Foreign currency	2021 HK$'000	2020 HK$'000
Cash and cash equivalents	US$	**982,027**	509,437
	RMB	**268,159**	270,882
	EUR	**137**	1,789
	GBP	**59**	59
	JPY	**8**	9
Deposits in other financial Institutions	US$	**287**	4,554
Other loans and debt Instruments	RMB	**–**	516,804
	US$	**–**	171,796
Accounts payable	US$	**(96,304)**	(297,753)
	RMB	**(272)**	(243)
Interest-bearing borrowings	US$	**(6,753,551)**	(7,326,632)
	RMB	**(61,155)**	(710,667)
Other liabilities, payables and accruals	RMB	**(16,811)**	(94,252)
	US$	**(29,329)**	(31,701)
Financial liabilities at FVTPL	RMB	**(17,530)**	(53,282)
	US$	**(37,558)**	–
Repurchase agreements	US$	**(474,139)**	(1,252,605)

45. Financial Risk Management Objectives and Policies (continued)

Foreign currency risk (continued)

As US$ is pegged to HK$, the Group does not expect any significant movement in the US$/HK$ exchange rate. The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rates, with all other variables held constant, of the Group's profit after tax.

As at 31 December 2021

	Increase/decrease in loss after tax HK$'000
If HK$ strengthens/weakens against RMB by 5%	**56,267**

As at 31 December 2020

	Increase/decrease in loss after tax HK$'000
If HK$ strengthens/weakens against RMB by 5%	44,700

45. Financial Risk Management Objectives and Policies (continued)

Other price risk

The Group is exposed to other price changes arising from financial assets/(liabilities) at fair value through profit or loss (see note 17) and financial assets at fair value through other comprehensive income (see note 18). The following table demonstrates the sensitivity to 5% (2020: 5%) increase/decrease in the relevant stock price and quoted price of listed investments and unlisted investments respectively, with all other variables held constant, based on their carrying amounts at the end of the reporting period.

As at 31 December 2021

	Increase/ (decrease) in prices of underlying instrument	Carrying amount HK$'000	Increase/ (decrease) in profit after tax HK$'000	Increase/ (decrease) in other comprehensive income HK$'000
Financial assets at FVTPL:				
– Unlisted fund investments	increase/ decrease 5%	1,542,413	64,396/ (64,396)	–
– Listed equity investments	increase/ decrease 5%	275,300	11,494/ (11,494)	–
– Listed fixed income securities	increase/ decrease 5%	1,084,340	45,271/ (45,271)	–
– Unlisted fixed income securities	increase/ decrease 5%	412,617	17,227/ (17,227)	–
Financial assets at FVTOCI	increase/ decrease 5%	417,726	–	17,440/ (17,440)
Financial liabilities at FVTPL:				
– Unlisted foreign exchange forward contracts	increase/ decrease 5%	17,530	(732)/ 732	–
– Payables to interest holders of an unlisted consolidated investment fund	increase/ decrease 5%	37,558	(1,568)/ 1,568	–

45. Financial Risk Management Objectives and Policies (continued)

Other price risk (continued)

As at 31 December 2020

	Increase/ (decrease) in prices of underlying instrument	Carrying amount HK$'000	Increase/ (decrease) in profit after tax HK$'000	Increase/ (decrease) in other comprehensive income HK$'000
Financial assets at FVTPL:				
– Unlisted fund investments	increase/ decrease 5%	48,003	2,004/ (2,004)	–
– Listed equity investments	increase/ decrease 5%	597,547	24,948/ (24,948)	–
–– Unlisted fixed income securities	increase/ decrease 5%	1,945,717	81,234/ (81,234)	–
– Unlisted put options on listed equity investments at fair value	increase/ decrease 5%	471,389	19,680/ (19,680)	–
– Unlisted foreign exchange forward contracts	increase/ decrease 5%	653,020	27,264/ (27,264)	–
Financial assets at FVTOCI	increase/ decrease 5%	2,551,461	–	106,523/ (106,523)
Financial liabilities at FVTPL:				
– Unlisted foreign exchange forward contracts	increase/ decrease 5%	53,282	(2,225)/ 2,225	–

45. Financial Risk Management Objectives and Policies (continued)

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to restricted bank balances, cash and cash equivalents, advances to customers in margin financing, certain accounts receivable and variable rate interest-bearing borrowings. The Group is also exposed to fair value interest rate risk in relation to fixed rate financial assets at FVTPL, financial assets at FVTOCI, other loans and debt instruments, finance lease receivables, loans from an immediate holding company and an intermediate holding company and lease liabilities. The Group currently does not have an interest rate hedging policy. However, the Group closely manages its exposure arising from margin financing and other lending activities undertaken by allowing an appropriate margin on the interest received and paid by the Group.

The Group prices these loans receivable strategically to reflect market fluctuations and achieve a reasonable interest-rate spread.

Cash flow interest rate risk

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the Hong Kong Prime Rate and HIBOR arising from the Group's variable interest rate instruments. The directors of the Company consider the cash flow interest rate risks in relation to variable rate restricted bank balances, advances to customers in margin financing, certain accounts receivable and cash and cash equivalents are insignificant and are excluded from sensitivity analysis. As at 31 December 2021, if the interest rate had been 50 basis points (2020: 50 basis points) higher/lower, the Group's loss after tax would increase/decrease by HK$6,615,000 (2020: loss after tax would increase/decrease by HK$2,172,000).

The sensitivity analysis above is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2020: 50 basis points) increase or decrease is used when reporting interest rate internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

45. Financial Risk Management Objectives and Policies (continued)

Credit risk and impairment assessment

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Key description	ECL
Pass	Loans or receivables where borrowers or debtors are current in meeting commitments and full repayment of interest and principal is not in doubt.	12m ECL
Special Mention – low risk	There have been significant increases in credit risk since initial recognition through information developed internally or external resources or payments have been overdue for more than 30 days (Advance to customers in margin financing: for any margin shortfall where a shorter period of "past due" has been applied by the directors in view of the nature of business operation and practice in managing the credit risk).	Lifetime ECL – not credit-impaired
Special Mention – high risk	There is evidence indicating the asset is credit-impaired or payment has been overdue for more than 90 days (Advance to customers in margin financing: for any margin shortfall where a shorter period of "past due" has been applied by the directors in view of the nature of business operation and practice in managing the credit risk) and the management expects no substantial loss of principal or interest is possible after taking account of the "net realisable value" of security or in the case of unsecured or partially secured loans that there are executable settlement plans of the borrowers.	Lifetime ECL – credit-impaired
Substandard	There is evidence indicating the asset is credit-impaired or payment has been overdue for more than 90 days (Advance to customers in margin financing: for any margin shortfall where a shorter period of "past due" has been applied by the directors in view of the nature of business operation and practice in managing the credit risk) and/or the management expects some loss of principal or interest is possible after taking account of the "net realisable value" of security or in the case of unsecured or partially secured loans that there are significant deficiencies of the borrowers.	Lifetime ECL – credit-impaired
Doubtful	There is evidence indicating the asset is credit-impaired or payment has been overdue for more than 90 days (Advance to customers in margin financing: for any margin shortfall where a shorter period of "past due" has been applied by the directors in view of the nature of business operation and practice in managing the credit risk) and/or the management expects to sustain a loss of principal and/or interest after taking account of the net realisable value of security or in the case of unsecured or partially secured loans that there are serious deficiencies of the borrowers.	Lifetime ECL – credit-impaired
Loss	There is evidence indicating that the debtor is in severe financial prospect of recovery.	Amount is written off

45. Financial Risk Management Objectives and Policies (continued)

Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	Internal credit rating	12m or lifetime ECL	2021 Gross carrying amount HK$'000	2020 Gross carrying amount HK$'000
Financial assets at FVTOCI	18	Pass	12m ECL	**195,145**	1,996,959
		Special Mention – Low risk	Lifetime ECL – not credit-impaired	**73,172**	435,688
		Substandard	Lifetime ECL – credit-impaired	**14,553**	28,930
		Doubtful	Lifetime ECL – credit-impaired	**134,856**	89,884
Financial assets at amortised cost					
Other long term assets	14	Pass	12m ECL	**4,498**	5,081
Finance lease receivables	19	Pass	12m ECL	**40,425**	158,196
		Special Mention – high risk	Lifetime ECL – credit-impaired	**402,972**	730,342
		Substandard	Lifetime ECL – credit-impaired	**747,023**	433,746
		Doubtful	Lifetime ECL – credit-impaired	**120,565**	67,130
Other loans and debt instruments	20	Pass	12m ECL	**–**	150,094
		Special Mention – low risk	Lifetime ECL – not credit-impaired	**273,437**	1,007,783
		Special Mention – high risk	Lifetime ECL – credit-impaired	**290,498**	1,145,557
		Substandard	Lifetime ECL – credit-impaired	**1,589,171**	1,702,758
		Doubtful	Lifetime ECL – credit-impaired	**2,271,688**	2,112,132
Amount due from an associate	21	Substandard	Lifetime ECL – credit-impaired	**–**	327,761
		Doubtful	Lifetime ECL – credit-impaired	**304,338**	–
Advances to customers in margin financing	22	Pass	12m ECL	**25,901**	37,274
		Special Mention – low risk	Lifetime ECL – not credit-impaired	**–**	8
		Substandard	Lifetime ECL – credit-impaired	**89,846**	363,061
		Doubtful	Lifetime ECL – credit-impaired	**789,162**	513,293
Accounts receivable	23	Pass	12m ECL	**368,008**	90,429
		Special Mention – low risk	Lifetime ECL – not credit impaired	**44**	74,455
		Doubtful	Lifetime ECL – credit impaired	**728,454**	91,164
Deposits and other receivables	24	Pass	12m ECL	**318,954**	142,484
		Substandard	Lifetime ECL – credit impaired	**51,144**	38,853
Amounts due from related parties	26	Pass	12m ECL	**4,539**	3,825
Restricted bank balances	27	Pass	12m ECL	**215,590**	380,295
Deposits in other financial institutions	28	Pass	12m ECL	**14,457**	16,921
Pledged bank deposit	29	Pass	12m ECL	**–**	13,000
Cash and cash equivalents	29	Pass	12m ECL	**1,857,953**	1,720,916

45. Financial Risk Management Objectives and Policies (continued)

Credit risk and impairment assessment (continued)

The estimated loss rates for each class of financial assets are estimated based on historical observed default rates over the expected life of the respective class of financial assets or observed market prices over the financial assets and are adjusted for forward- looking information that is available without undue cost or effort, include macroeconomic data such as GDP growth, unemployment rates, the US debt-to-GDP ratio and inflation rate. The identification of internal credit rating for individual financial assets is regularly reviewed by management to ensure relevant information about specific financial assets is updated.

Analysis of the gross carrying amount of financial assets at FVTOCI are as follows:

	12m ECL HK$'000	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 January 2020	3,755,695	32,601	179,135	3,967,431
As at 31 December 2020 and 1 January 2021	**1,996,959**	**435,688**	**118,814**	**2,551,461**
As at 31 December 2021	**195,145**	**73,172**	**149,409**	**417,726**

The following are the main changes in the gross carrying amount of financial assets at fair value through other comprehensive income:

As of 31 December 2021, the gross carrying amount of financial assets at FVTOCI measured at lifetime ECL (credit-impaired) increased to HK$149,409,000 (2020: HK$118,814,000). A gross carrying amount of HK$46,338,000 and HK$28,475,000 of financial assets at FVTOCI measured at lifetime ECL (credit-impaired) are transferred from 12 month ECL and lifetime ECL (not credit-impaired), respectively during 2021. The remaining changes of balance of HK$44,218,000 are financial assets at FVTOCI already recognized in 2020.

As of 31 December 2020, in financial assets at FVTOCI measured in lifetime ECL (credit-impaired) of HK$118,814,000, gross carrying amount of HK$46,956,000 of financial assets at FVTOCI measured in lifetime ECL (credit-impaired) are transferred from financial assets at FVTOCI measured in 12 month ECL. The remaining financial assets at FVTOCI measured in lifetime ECL (credit-impaired) of HK$71,858,000 are came from financial assets at FVTOCI measured in lifetime ECL (credit-impaired) in 2019.

45. Financial Risk Management Objectives and Policies (continued)

Credit risk and impairment assessment (continued)

As of 31 December 2021, the gross carrying amount of financial assets at FVTOCI measured at lifetime ECL (not credit-impaired) increased to HK$73,172,000 (2020: HK$435,688,000). A gross carrying amount of HK$32,052,000 of financial assets at FVTOCI measured in lifetime ECL (not credit-impaired) are transferred from 12 month ECL during 2021. Financial assets at FVTOCI measured at lifetime ECL (not credit-impaired) of HK$261,214,000 as of 31 December 2020 have been derecognized or repaid in 2021. A gross carrying amount of HK$28,475,000 of financial assets at FVTOCI measured in lifetime ECL (not credit-impaired) are transferred to lifetime ECL (credit-impaired) in 2021. The remaining changes of balance of HK$104,879,000 are financial assets at FVTOCI already recognized in 2020.

As of 31 December 2020, gross carrying amount of HK$435,688,000 (2019: HK$32,601,000) of financial assets at FVTOCI measured in lifetime ECL (not credit-impaired) are transferred from 12 month ECL. Financial assets at FVTOCI measured in lifetime ECL (not credit-impaired) of HK$32,601,000 in 31 December 2019 has been settled in 2020.

As of 31 December 2021, gross carrying amount of financial assets at FVTOCI measured at 12 month ECL decreased to HK$195,145,000 (2020: HK$1,996,959,000). A gross carrying amount of HK$32,052,000 and HK$46,338,000 of financial assets at FVTOCI measured in lifetime ECL (not credit-impaired) and lifetime ECL (credit-impaired), respectively, are transferred from 12 month ECL during 2021. A gross carrying amount of HK$1,567,279,000 of financial assets at FVTOCI are derecognized or repaid during 2021. The remaining changes of balance of HK$156,145,000 are financial assets at FVTOCI already recognized in 2020.

As of 31 December 2020, gross carrying amount of financial assets at FVTOCI measured in 12 month ECL decreased to HK$1,996,959,000 (2019: HK$3,755,695,000) mainly due to transferred of stages mentioned above and assets derecognized or repaid of HK$1,276,092,000 during 2020.

45. Financial Risk Management Objectives and Policies (continued)

Credit risk and impairment assessment (continued)

Movements in the allowance for impairment that has been recognised for financial assets at FVTOCI are as follows:

	12m ECL HK$'000	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
ECL allowance as at 1 January 2020	8,729	1,933	110,338	121,000
Assets derecognised or repaid	(1,829)	(1,933)	–	(3,762)
Changes to risk parameters	(2,456)	–	62,390	59,934
Transfer of stages	(1,717)	1,181	536	–
Changes arising from transfer of stages	–	(508)	46,420	45,912
ECL allowance as at 31 December 2020 and 1 January 2021	**2,727**	**673**	**219,684**	**223,084**
Assets derecognised or repaid	**(1,911)**	**(169)**	**–**	**(2,080)**
Changes to risk parameters	**1**	**14,011**	**128,160**	**142,172**
Transfer of stages	**(446)**	**(286)**	**732**	**–**
Changes arising from transfer of stages	**–**	**1,960**	**44,675**	**46,635**
ECL allowance as at 31 December 2021	**371**	**16,189**	**393,251**	**409,811**

45. Financial Risk Management Objectives and Policies (continued)

Credit risk and impairment assessment (continued)

Analysis of the gross carrying amount of other loans and debt instruments is as follows:

	12m ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 January 2020	113,992	415,257	2,293,153	2,822,402
As at 31 December 2020 and 1 January 2021	**150,094**	**1,007,783**	**4,960,447**	**6,118,324**
As at 31 December 2021	**–**	**273,437**	**4,151,357**	**4,424,794**

The following are the main changes in the gross carrying amount of other loans and debt instruments:

As of 31 December 2021, gross carrying amount of other loans and debt instruments in lifetime ECL (credit-impaired) decrease to HK$4,151,357,000 (2020: HK$4,960,447,000) was mainly due to other loans and debt instruments measured in lifetime ECL (credit-impaired) of HK$265,719,000 was disposed during 2021 and the stage transfer of other loans and debt instruments with gross amount of HK$270,953,000 to lifetime ECL (credit-impaired) from lifetime ECL (not credit-impaired) in 2021 and other loans and debt instruments in lifetime ECL (credit-impaired) with gross amount of HK$942,726,000 was repaid in 2021. The remaining changes of loan and debt instruments measured in lifetime ECL (credit-impaired) of HK$128,402,000 are already recognized in 2020.

45. Financial Risk Management Objectives and Policies (continued)

Credit risk and impairment assessment (continued)

As of 31 December 2020, gross carrying amount of other loans and debt instruments in lifetime ECL (credit-impaired) increase to HK$4,960,447,000 (2019: HK$2,293,153,000) was mainly due to other loans and debt instruments measured in lifetime ECL (credit-impaired) of HK$2,999,775,000 are transfer from margin loans with reasons highlighted in note 20 and loans and debt instruments measured in lifetime ECL (credit-impaired) of HK$794,995,000 derecognised during 2020. The remaining loan and debt instruments measured in lifetime ECL (credit-impaired) of HK$462,514,000 are already recognized in 2019.

As of 31 December 2021, gross carrying amount of other loans and debt instruments in lifetime ECL (not credit-impaired) decrease to HK$273,437,000 (2020: HK$1,007,783,000) was mainly due to the stage transfer of other loans and debt instruments with gross amount of HK$270,953,000 to lifetime ECL (credit-impaired) from lifetime ECL (not credit- impaired) in 2021 and assets measured in lifetime ECL (not credit-impaired) of HK$366,836,000 was derecognised or written off during 2021. The remaining changes of loan and debt instruments measured in lifetime ECL (not credit-impaired) of HK$96,557,000 are already recognized in 2020 due to repaid the interest during 2021.

As of 31 December 2020, gross carrying amount of other loans and debt instruments in lifetime ECL (not credit-impaired) increase to HK$1,007,783,000 (2019: HK$415,257,000) was mainly due to other loans and debt instruments measured in ECL (not credit-impaired) of HK$366,836,000 is transferred from other loans and debt instruments measured in lifetime ECL (credit-impaired) in 2019. The remaining other loans and debt instruments in lifetime ECL (not credit-impaired) of HK$225,690,000 are already recognized in 2019.

As of 31 December 2021, gross carrying amount of loans and debt instruments measured at 12 month ECL decreased to nil (2020: HK$150,094,000) were mainly because the assets measured at 12 month ECL with gross carrying amount of HK$150,094,000 were derecognized during 2021.

As of 31 December 2020, gross carrying amount of loans and debt instruments measured in 12 month ECL increase to HK$150,094,000 (2019: HK$113,992,000) was mainly due to the stage transfer of loan and debts instrument with gross carrying amount of HK$150,094,000 to 12-month ECL from lifetime ECL (not credit-impaired) and assets measured in 12 month ECL with gross carrying amount of HK$113,992,000 derecognized during 2020.

45. Financial Risk Management Objectives and Policies (continued)

Credit risk and impairment assessment (continued)

Movements in the loss allowance for impairment that has been recognised for other loans and debt instruments are as follows:

	12m ECL HK$'000	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
ECL allowance as at 1 January 2020	498	6,326	758,013	764,837
Reclassified from advances to customers in margin financing	116	927	848,255	849,298
Assets derecognised or repaid	(498)	–	–	(498)
Changes to risk parameters	(701)	(4,444)	687,137	681,992
Transfer of stages	634	6,767	(7,401)	–
Changes arising from transfer of stages	–	19,087	675,022	694,109
Foreign exchange adjustment	–	–	17,858	17,858
ECL allowance as at 31 December 2020 and 1 January 2021	**49**	**28,663**	**2,978,884**	**3,007,596**
Written off	**–**	**(27,513)**	**–**	**(27,513)**
Assets derecognised or repaid	**(49)**	**–**	**(242,873)**	**(242,922)**
Changes to risk parameters	**–**	**(12)**	**597,367**	**597,355**
Transfer of stages	**–**	**(1,132)**	**1,132**	**–**
Changes arising from transfer of stages	**–**	**–**	**51,493**	**51,493**
Disposal of a subsidiary	**–**	**–**	**(104,138)**	**(104,138)**
ECL allowance as at 31 December 2021	**–**	**6**	**3,281,865**	**3,281,871**

Note: During the year ended 31 December 2020, a subsidiary of the Company has signed deeds of assignment with certain margin customers and assigned out certain advances to customers in margin financing which are detailed in note 20.

45. Financial Risk Management Objectives and Policies (continued)

Credit risk and impairment assessment (continued)

Analysis of the gross carrying amount of advances to customers in margin financing is as follows:

	12m ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 January 2020	602,478	854,141	2,757,447	4,214,066
As at 31 December 2020 and 1 January 2021	**37,274**	**8**	**876,354**	**913,636**
As at 31 December 2021	**25,901**	**–**	**879,008**	**904,909**

The following are the main changes in the gross carrying amount of advances to customers in margin financing:

As of 31 December 2021, gross carrying amount of advances to customers in margin financing measured at lifetime ECL (credit-impaired) increased to HK$879,008,000 (2020: HK$876,354,000) was mainly because asset measured at lifetime ECL (credit-impaired) of HK$65,000 was derecognised during 2021. The remaining changes in balance measured at lifetime ECL (credit-impaired) of HK$2,719,000 are already recognized in 2020.

As of 31 December 2020, gross carrying amount of advances to customers in margin financing measured in lifetime ECL (credit-impaired) decreased to HK$876,354,000 (2019: HK$2,757,447,000) was mainly due to advances to customers in margin financing of HK$1,527,341,000 are transferred to other loans and debt instruments with reasons highlighted in note 20. It is also due to advances to customers in margin financing measured in lifetime ECL (credit-impaired) of HK$416,661,000 transferred to lifetime ECL (not credit-impaired). It is partly offset by net increase in the gross carrying amount of advances to customers in margin financing measured in lifetime ECL (credit-impaired) which already recognised in 2019 of HK$62,909,000.

45. Financial Risk Management Objectives and Policies (continued)

Credit risk and impairment assessment (continued)

As of 31 December 2021, gross carrying amount of advances to customers in margin financing measured at lifetime ECL (not credit-impaired) decreased to nil (2020: HK$8,000) was mainly because asset measured at lifetime ECL (not credit-impaired) of HK$8,000 was derecognised during 2021.

As of 31 December 2020, gross carrying amount of advances to customers in margin financing measured in lifetime ECL (not credit-impaired) decreased to HK$8,000 (2019: HK$854,141,000) was mainly due to advances to customers in margin financing of HK$1,375,461,000 are transferred to other loans and debt instruments with reasons highlighted in note 20; partly offset by advances to customers in margin financing measured in lifetime ECL (credit-impaired) of HK$493,719,000 are transferred to the advances to customers in margin financing measured in lifetime ECL (not credit-impaired) and net increase in the gross carrying amount of advances to customers in margin financing measured in lifetime ECL (not credit-impaired) which already recognised in 2019 of HK$27,609,000.

As of 31 December 2021, gross carrying amount of advances to customers in margin financing measured in 12 month ECL decreased to HK$25,901,000 (2020: HK$37,274,000) was mainly due to asset measured in 12 month ECL of HK$19,408,000 was derecognised during 2021 and there are new assets originated or purchased of HK$4,355,000 during 2021. The remaining net increase in the gross carrying amount of advances to customers in margin financing measured in 12 month ECL which already recognised in 2020 of HK$3,680,000.

As of 31 December 2020, gross carrying amount of advances to customers in margin financing measured in 12 month ECL decreased to HK$37,274,000 (2019: HK$602,478,000) was mainly due to the advances to customers in margin financing of HK$393,504,000 are transferred to other loans and debt instruments with reasons highlighted in note 20. It is also due to advances to customers in margin financing measured in 12 month ECL of HK$77,058,000 transferred to lifetime ECL (not credit-impaired). There is also net decrease or settlement in the gross carrying amount of advances to customers in margin financing measured in 12 month ECL which already recognised in 2019 of HK$94,642,000.

45. Financial Risk Management Objectives and Policies (continued)

Credit risk and impairment assessment (continued)

Movements in the allowances for impairment that has been recognised for advances to customers in margin finance are as follows:

	12m ECL HK$'000	**Lifetime ECL (not credit-impaired)** HK$'000	**Lifetime ECL (credit-impaired)** HK$'000	**Total** HK$'000
ECL allowance as at 1 January 2020	217	260	1,329,918	1,330,395
New assets originated or purchased	14	–	–	14
Assets derecognised or repaid	(67)	–	–	(67)
Reclassified to other loans and debt instruments	(116)	(927)	(848,255)	(849,298)
Changes to risk parameters	22	146	291,036	291,204
Transfer of stages	2	17,368	(17,370)	–
Changes arising from transfer of stage	(25)	(16,847)	68,077	51,205
ECL allowance as at 31 December 2020 and 1 January 2021	**47**	**–**	**823,406**	**823,453**
New assets originated or purchased	**29**	**–**	**–**	**29**
Assets derecognised or repaid	**(32)**	**–**	**(65)**	**(97)**
Changes to risk parameters	**45**	**–**	**37,741**	**37,786**
ECL allowance as at 31 December 2021	**89**	**–**	**861,082**	**861,171**

Note: During the year ended 31 December 2020, a subsidiary of the Company has signed deeds of assignment with certain margin customers and assigned out certain advances to customers in margin financing which are detailed in note 22.

45. Financial Risk Management Objectives and Policies (continued)

Credit risk and impairment assessment (continued)

Analysis of the gross carrying amount of finance lease receivables is as follows:

	12m ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 January 2020	204,404	47,807	1,087,877	1,340,088
As at 31 December 2020 and 1 January 2021	**158,196**	**–**	**1,231,218**	**1,389,414**
As at 31 December 2021	**40,425**	**–**	**1,270,560**	**1,310,985**

As of 31 December 2021, gross carrying amount of finance lease receivables measured at lifetime ECL (credit impaired) increased to HK$1,270,560,000 (2020: HK$1,231,218,000) due to increase of HK$39,342,000 which are already recognized in 2020.

As of 31 December 2020, finance lease receivables with a gross carrying amount of HK$102,353,000 was transferred from lifetime ECL (not credit-impaired) to lifetime ECL (credit-impaired) during the year. The remaining finance lease receivables measured in lifetime ECL (credit-impaired) of HK$1,128,865,000 came from finance lease receivables measured in lifetime ECL (credit-impaired) in 2019.

As of 31 December 2021, gross carrying amount of finance lease receivables measured in 12 month ECL decreased to HK$40,425,000 (2020: HK$158,196,000) due to the assets derecognized or repaid with gross carrying amount of HK$117,771,000 during 2021.

As of 31 December 2020, gross carrying amount of finance lease receivables measured in 12 month ECL decreased to HK$158,196,000 (2019: HK$204,404,000) due to the assets derecognized or repaid with gross carrying amount of HK$46,208,000 during 2020.

45. Financial Risk Management Objectives and Policies (continued)

Credit risk and impairment assessment (continued)

Movements in the allowance for impairment that has been recognised finance lease receivables are as follows:

	12m ECL HK$'000	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
ECL allowance as at 1 January 2020	3,623	1,777	329,120	334,520
Changes to risk parameters	(1,098)	–	55,004	53,906
Changes arising from transfer of stage	–	–	6,676	6,676
Transfer of stages	–	(1,777)	1,777	–
Foreign exchange adjustment	–	–	(1,255)	(1,255)
ECL allowance as at 31 December 2020 and 1 January 2021	**2,525**	**–**	**391,322**	**393,847**
Changes to risk parameters	**2,643**	**–**	**72,436**	**75,079**
Assets derecognised or repaid	**(798)**	**–**	**–**	**(798)**
ECL allowance as at 31 December 2021	**4,370**	**–**	**463,758**	**468,128**

45. Financial Risk Management Objectives and Policies (continued)

Liquidity risk

Internally generated cash flows, interest-bearing borrowings are the general sources of funds to finance the operations of the Group. The Group regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations and compliance with the statutory requirements applying to various licenced activities. The Group aims to maintain flexibility in funding by keeping committed credit lines available and sufficient bank deposits to meet its short term cash requirements. The Group's liquidity risk management includes making available standby banking facilities and diversifying the funding sources.

As at 31 December 2021

	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Accounts payable	**224,115**	**317**	**–**	**–**	**–**	**224,432**
Other payables and accruals	**–**	**201,271**	**–**	**1,416**	**–**	**202,687**
Interest-bearing borrowings	**1,660,155**	**–**	**825,942**	**3,150,323**	**2,777,286**	**8,413,706**
Lease Liabilities	**–**	**14,374**	**43,957**	**29,697**	**–**	**88,028**
Repurchase agreements	**–**	**474,139**	**–**	**–**	**–**	**474,139**
Financial liabilities at FVTPL	**37,558**	**–**	**17,530**	**–**	**–**	**55,088**
	1,921,828	**690,101**	**887,429**	**3,181,436**	**2,777,286**	**9,458,080**

As at 31 December 2020

	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Accounts payable	616,519	53	–	–	–	616,572
Other payables and accruals	–	112,176	380,114	18,204	–	510,494
Interest-bearing borrowings	3,111,456	–	809,517	4,818,748	1,926,578	10,666,299
Lease Liabilities	–	12,636	42,957	86,262	–	141,855
Repurchase agreements	–	1,252,605	–	–	–	1,252,605
Financial liabilities at FVTPL	–	–	53,282	–	–	53,282
	3,727,975	1,377,470	1,285,870	4,923,214	1,926,578	13,241,107

Note: Bank loans with a repayment on demand clause are included in the "on demand" time band in the above maturity analysis. As at 31 December 2021, the aggregate carrying amounts of these bank loans amounted to HK$1,599,000,000 (2020: HK$3,111,456,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment.

46. Financial Assets and Financial Liabilities Offsetting

The disclosures set out in the tables below include the financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments that are either:

- offset in the Group's consolidated statement of financial position; or

- not offset in the Group's consolidated statement of financial position as the offsetting criteria are not met.

Under the agreement of continuous net settlement made between the Group and Hong Kong Securities Clearing Company Limited ("**HKSCC**"), brokers and dealers, the Group has a legally enforceable right to set off the money obligations receivable and payable with HKSCC and brokers on the same settlement date and the Group intends to settle on a net basis.

In addition, the Group has a legally enforceable right to set off the accounts receivable and payable with its clients in the Group's brokerage business ("**Clients**") that are due to be settled on the same date with reference to the settlement method set by the HKSCC and the Group intends to settle these balances on a net basis.

46. Financial Assets and Financial Liabilities Offsetting (continued)

Except for the balances which are due to be settled on the same date which are being offset, amounts due from/to Clients, HKSCC, brokers and dealers that are not to be settled on the same date, financial collateral including cash and securities received by the Group, deposit placed with HKSCC, brokers and dealers do not meet the criteria for offsetting in the consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default.

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements.

As at 31 December 2021

	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position HK$'000	Net amount HK$'000
Description					
Advances to customers in margin financing and accounts receivable	**429,377**	**(17,344)**	**412,033**	**(401,365)**	**10,668**

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements.

46. Financial Assets and Financial Liabilities Offsetting (continued)

As at 31 December 2021

	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position HK$'000	Net amount HK$'000
Description					
Accounts payable	**(241,500)**	**17,344**	**(224,156)**	**–**	**(224,156)**

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements.

As at 31 December 2020

	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position HK$'000	Net amount HK$'000
Description					
Advances to customers in margin financing and accounts receivable	243,286	(65,805)	177,481	(90,578)	86,903

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements.

46. Financial Assets and Financial Liabilities Offsetting (continued)

As at 31 December 2020

	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position HK$'000	Net amount HK$'000
Description					
Accounts payable	(682,015)	65,805	(616,210)	–	(616,210)

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements.

	2021 HK$'000	2020 HK$'000
Advances to customers in margin financing and accounts receivable		
Net amount of advances to customers in margin financing and accounts receivable as stated above	**412,033**	177,481
Amount not in the scope of offsetting disclosure	**451,792**	77,586
Total amount of advances to customers in margin financing and accounts receivable stated in notes 22 and 23	**863,825**	255,067
Accounts payable		
Net amount of accounts payable as stated above	**(224,156)**	(616,210)
Amount not in the scope of offsetting disclosure	**(276)**	(362)
Total amount of accounts payable stated in note 30	**(224,432)**	(616,572)

47. Transfer of Financial Assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to special purpose entities. In some cases where the transfers qualify for derecognition, the transfer may give rise to full or partial derecognition of the financial assets concerned. In other cases where the Group retained substantially all the risks and rewards of the financial assets concerned after the transfer, the Group continued to recognise the transferred assets.

Financial assets sold under repurchase agreement

Transferred financial assets that do not qualify for derecognition include fixed income securities held by counterparties as collateral under repurchase agreements, and the Group has determined that if the Group retains substantially all the risks and rewards of these fixed income securities and therefore has not derecognised them.

Details of the carrying amount and fair value of transferred assets, and the assessment performed by the Group in respect of whether fixed income securities sold under repurchase agreements shall be derecognised are disclosed in note 33 to the consolidated financial statements.

48. Reconciliation of Liabilities and Related Assets Arising from Financing Activities

The table below details changes in the Group's liabilities and related assets arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities HK$'000	**Interest-bearing borrowings** HK$'000	**Interest payables** HK$'000	**Amounts due to related parties** HK$'000
At 1 January 2020	262,603	15,969,819	362,850	54,358
Changes from financing cash flows	(109,565)	(5,303,520)	(614,559)	4,983
Additions	10,594	–	–	–
Termination of leases	(33,386)	–	–	–
Interest expenses	11,609	–	676,105	–
At 31 December 2020 and 1 January 2021	**141,855**	**10,666,299**	**424,396**	**59,341**
Changes from financing cash flows	**(61,506)**	**(2,252,593)**	**(830,648)**	**(3,307)**
Additions	**2,339**	**–**	**–**	**–**
Termination of leases	**(7)**	**–**	**–**	**–**
Interest expenses	**5,347**	**–**	**477,215**	**–**
At 31 December 2021	**88,028**	**8,413,706**	**70,963**	**56,034**

During the year, the Group had non-cash transactions in right-of-use assets of HK$2,065,000 (2020: HK$43,405,000) and lease liabilities of HK$2,332,000 (2020: HK$22,792,000), in respect of lease arrangements for plant and equipment. During the year ended 31 December 2020, the Group had non-cash transactions in issue of shares in acquisition of entity under common control of HK$5,122,000 and share premium of HK$1,300,764,000.

The total cash outflow for leases included in the statement of cash flows is as follows:

	2021 **HK$'000**	2020 HK$'000
Within financing activities	**(61,506)**	(109,565)

49. Statement of Financial Position and Reserves of the Company

	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS		
Property and equipment	**3,250**	3,799
Right-of-use assets	**761**	997
Investments in subsidiaries	**1,305,886**	1,305,886
Financial assets at fair value through other comprehensive income	**282,549**	1,591,337
Deferred tax assets	**–**	52,232
Total non-current assets	**1,592,446**	2,954,251
CURRENT ASSETS		
Due from subsidiaries	**4,942,065**	5,811,613
Financial assets at fair value through other comprehensive income	**135,177**	960,124
Financial assets at fair value through profit or loss	**1,107,775**	1,220,436
Accounts receivable	**356,721**	56,492
Prepayments, deposits and other receivables	**284,382**	29,623
Tax recoverable	**53,745**	53,745
Cash and cash equivalents	**747,691**	643,030
Total current assets	**7,627,556**	8,775,063
CURRENT LIABILITIES		
Due to subsidiaries	**815,249**	590,621
Accounts payable	**–**	219,904
Other payables and accruals	**234,224**	63,837
Repurchase agreements	**474,139**	1,252,605
Interest-bearing borrowings	**1,871,986**	2,811,456
Lease liabilities	**283**	273
Total current liabilities	**3,395,881**	4,938,696
NET CURRENT ASSETS	**4,231,675**	3,836,367
TOTAL ASSETS LESS CURRENT LIABILITIES	**5,824,121**	6,790,618

49. Statement of Financial Position and Reserves of the Company (continued)

	2021 HK$'000	2020 HK$'000
NON-CURRENT LIABILITIES		
Other payables and accruals	**128**	126
Interest-bearing borrowings	**4,245,740**	4,691,214
Lease liabilities	**820**	1,057
	4,246,688	4,692,397
Net assets	**1,577,433**	2,098,221
EQUITY		
Issued capital	**8,710**	8,710
Perpetual capital securities classified as equity instruments	**2,755,781**	2,755,872
Reserves	**(1,187,058)**	(666,361)
Total equity	**1,577,433**	2,098,221

49. Statement of Financial Position and Reserves of the Company (continued)

Movements in the Company's reserves

	Share premium account HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	FVTOCI investment revaluation reserve HK$'000	Accumulated losses HK$'000	Subtotal HK$'000	Perpetual capital securities HK$'000	Total HK$'000
At 1 January 2020	1,632,380	139,615	33,216	(249,353)	(2,181,879)	(626,021)	1,207,430	581,409
Loss for the year	–	–	–	–	(1,380,896)	(1,380,896)	111,403	(1,269,493)
Fair value loss on financial assets at FVTOCI	–	–	–	(76,476)	–	(76,476)	–	(76,476)
Net provision for impairment of financial assets at FVTOCI included in profit or loss	–	–	–	102,084	–	102,084	–	102,084
Reclassification adjustment relating to disposal of financial assets at FVTOCI	–	–	–	14,184	–	14,184	–	14,184
Total comprehensive loss for the year	–	–	–	39,792	(1,380,896)	(1,341,104)	111,403	(1,229,701)
Acquisition of an entity under common control	1,300,764	–	–	–	–	1,300,764	–	1,300,764
New perpetual capital securities issued during the year	–	–	–	–	–	–	1,550,300	1,550,300
Distribution relating to perpetual capital securities	–	–	–	–	–	–	(113,261)	(113,261)
At 31 December 2020 and 1 January 2021	**2,933,144**	**139,615**	**33,216**	**(209,561)**	**(3,562,775)**	**(666,361)**	**2,755,872**	**2,089,511**
Loss for the year	**-**	**-**	**-**	**-**	**(645,906)**	**(645,906)**	**157,324**	**(488,582)**
Fair value loss on financial assets at FVTOCI	**-**	**-**	**-**	**(58,988)**	**-**	**(58,988)**	**-**	**(58,988)**
Net provision for impairment of financial assets at FVTOCI included in profit or loss	**-**	**-**	**-**	**186,727**	**-**	**186,727**	**-**	**186,727**
Reclassification adjustment relating to disposal of financial assets at FVTOCI	**-**	**-**	**-**	**(2,530)**	**-**	**(2,530)**	**-**	**(2,530)**
Total comprehensive loss for the year	**-**	**-**	**-**	**125,209**	**(645,906)**	**(520,697)**	**157,324**	**(363,373)**
Distribution relating to perpetual capital securities	**-**	**-**	**-**	**-**	**-**	**-**	**(157,415)**	**(157,415)**
At 31 December 2021	**2,933,144**	**139,615**	**33,216**	**(84,352)**	**(4,208,681)**	**(1,187,058)**	**2,755,781**	**1,568,723**

Note:

(i) Pursuant to the Bermuda Companies Act 1981, a company may make distributions to its shareholders out of the contributed surplus in certain circumstances.

50. Deed of undertaking to a fund

A subsidiary of the Company ("**subsidiary X**") acted as the general partner for a fund ("**the Fund**") set up in 2016. Third party A acting as the sole limited partner invested HK$950 million into the Fund. Third party B and another subsidiary of the Company ("**subsidiary Y**") both acted as fund managers. Third parties A and B are related parties to each other. Subject to the terms of the limited partnership agreement, if the investment return is greater than or equal to 6% per annum, third party A is entitled to receive a return of 6% per annum from the Fund's assets. Third party B is entitled to receive a management fee of 0.5% per annum of the capital commitment of limited partner. If the investment return is greater than 6% per annum, the excess will be received by subsidiary Y as performance fee. Subsidiary Y is also entitled to receive a management fee of 1% per annum of the capital commitment of each limited partner. The business substance of the Fund is for third party A to lend money to third party C.

Subsidiary Y signed a deed of undertaking to the Fund in 2016. The Company also issued a comfort letter to third party A. Subsidiary Y undertakes to the Fund to use all feasible endeavours to facilitate the Fund to perform its obligations. Subsidiary Y also undertakes to the Fund to serve as liquidity provider. Based on the legal assessment, it is considered that the comfort letter and the deed of undertaking did not constitute guarantee obligations of the Company, subsidiary X and subsidiary Y as at 31 December 2021 and 31 December 2020.

51. Approval of financial statements

The financial statements were approved and authorised for issue by the board of directors on 28 March 2022.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial periods, as extracted from the published audited consolidated financial statements. The Group has applied the merger accounting method in the preparation of financial statements for the combination with an entity under common control in 2020.

Results

	1.1.2021 to 31.12.2021 HK$'000	1.1.2020 to 31.12.2020 HK$'000	1.1.2019 to 31.12.2019 HK$'000	1.1.2018 to 31.12.2018 HK$'000	1.1.2017 to 31.12.2017 HK$'000
Turnover:					
Continuing operations	**486,592**	841,008	2,178,379	2,271,555	2,834,890
Discontinued operations	**–**	–	643,266	–	–
	486,592	841,008	2,821,645	2,271,555	2,834,890
(Loss)/profit before tax:					
Continuing operations	**(1,549,522)**	(2,664,165)	(2,955,006)	(1,558,593)	1,264,029
Discontinued operations	**–**	–	277,037	–	–
	(1,549,522)	(2,664,165)	(2,677,969)	(1,558,593)	1,264,029
Income tax (expense)/credit	**(52,770)**	(22,075)	(8,824)	76,454	(258,386)
(Loss)/profit before non-controlling interests	**(1,602,292)**	(2,686,240)	(2,686,793)	(1,482,139)	1,005,643
Non-controlling interests classified as equity	**(63,428)**	11,469	421,979	–	–
Profit attributable to holder of perpetual capital securities	**(157,324)**	(111,403)	(66,025)	(66,083)	(41,550)
(Loss)/profit attributable to owners of the Company	**(1,823,044)**	(2,786,174)	(2,330,839)	(1,548,222)	964,093

Assets and Liabilities

	31.12.2021 **HK$'000**	31.12.2020 HK$'000	31.12.2019 HK$'000	31.12.2018 HK$'000	31.12.2017 HK$'000
Non-current assets	**2,542,653**	5,394,640	5,461,010	5,225,568	19,271,737
Current assets	**6,662,578**	9,600,564	17,472,486	29,798,276	27,053,032
Total assets	**9,205,231**	14,995,204	22,933,496	35,023,844	46,324,769
Current liabilities	**(3,742,503)**	(6,762,143)	(11,004,288)	(19,829,627)	(24,619,927)
Non-current liabilities	**(5,958,722)**	(6,851,885)	(9,317,740)	(13,123,770)	(17,642,020)
Total liabilities	**(9,701,225)**	(13,614,028)	(20,322,028)	(32,953,397)	(42,261,947)
	(495,994)	1,381,176	2,611,468	2,070,447	4,062,822

DEFINITIONS

"AGM"	annual general meeting of the Company
"Audit Committee"	the audit committee of the Company
"Board"	board of Directors of the Company
"Bye-laws"	the memorandum of association and bye-laws of the Company
"Camellia Pacific"	Camellia Pacific Investment Holding Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of China Huarong and which directly held 21.01% equity interest in the Company as at the Latest Practicable Date
"CHIH"	China Huarong International Holdings Limited, a company with limited liability incorporated in Hong Kong and a controlling shareholder (as defined in the Listing Rules) of the Company
"China" or "Mainland China" or "PRC"	People's Republic of China
"China Huarong"	China Huarong Asset Management Co., Ltd.* (中國華融資產管理股份有限公司), a joint stock limited liability company incorporated in the PRC, the issued overseas listed foreign shares of which are listed on the Stock Exchange (stock code: 2799), and a controlling shareholder (as defined in the Listing Rules) of the Company
"Company" or "HRIF"	Huarong International Financial Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Stock Exchange (stock code: 993)
"CG Code"	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Deloitte"	Deloitte Touche Tohmatsu
"Director(s)"	director(s) of the Company
"Executive Committee"	the executive committee of the Company
"GDP"	gross domestic product
"Group"	the Company and its subsidiaries

"HRIS"	Huarong International Securities Limited (formerly known as United Simsen Securities Limited), an indirectly wholly owned subsidiary of the Company, a licensed corporation under the SFO to carry out Type 1, 2, 4 regulated activities
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"HKAS"	Hong Kong Accounting Standards
"HKFRS"	Hong Kong Financial Reporting Standards
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"Hong Kong"	Hong Kong Special Administrative Region of PRC
"HRIV"	Huarong Investment Stock Corporation Limited (華融投資股份有限公司), an exempted company incorporated in the Cayman Islands with limited liability and a wholly-owned subsidiary of the Company upon completion of the Privatization of HRIV
"Last Year"	for the year ended 31 December 2020
"Latest Practicable Date"	21 April 2022, being the latest practicable date prior to the printing of this annual report for the purpose of ascertaining certain information contained in this annual report
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, modified or otherwise supplemented from time to time)
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"MOF"	Ministry of Finance
"Nomination Committee"	the nomination committee of the Company
"Privatization of HRIV"	the privatization of HRIV by the Company by way of a scheme of arrangement under Section 86 of the Companies Law of the Cayman Islands, which became effective on 10 November 2020 (Cayman Islands time)
"Remuneration Committee"	the remuneration committee of the Company

"Right Select"	Right Select International Limited (佳擇國際有限公司), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of China Huarong and which directly held 29.98% equity interest in the Company as at the Latest Practicable Date
"Risk Management Committee"	the risk management committee of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange" or "HKEx"	The Stock Exchange of Hong Kong Limited
"Sustainable Development Committee"	the sustainable development committee of the Company
"US$"	United States dollar, the lawful currency of the United States
"Year"	for the year ended 31 December 2021, being the financial reporting period of this annual report
"%"	per cent.

* *for identification purpose only*

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