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

(Incorporated in Bermuda with limited liability)

(Stock Code: 993)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board of directors (the "**Board**") of Huarong International Financial Holdings Limited (the "**Company**") hereby announces the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**"), for the year ended 31 December 2020 ("**2020 Annual Results**"). This announcement, containing the full text of the 2020 annual report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in relation to information to accompany preliminary announcements of the annual results. The printed version of the Company's 2020 annual report will be dispatched to the holders of shares of the Company and available for viewing on the websites of the Stock Exchange at http://www.hkexnews.hk and of the Company at http://www.hrif.com.hk on or before 15 September 2021.

CONTINUED SUSPENSION OF TRADING

References are made to (i) the announcement of the Company dated 31 March 2021 (the "**First Announcement**") in relation to the delay in publication of the 2020 Annual Results, and at the request of the Company, trading in the shares of the Company (the "**Shares**") on the Stock Exchange has been suspended from 9:00 a.m. on 1 April 2021; (ii) the announcement of the Company dated 22 June 2021 in relation to the Stock Exchange's guidance to the Company for the resumption of trading in the Shares (the "**Resumption Guidance**"); and (iii) the announcement of the Company dated 30 June 2021 in relation to the quarterly update on the progress of resumption of trading.

As disclosed in the First Announcement, the Company was unable to publish the 2020 Annual Results on 31 March 2021, due to the reason that the Company was still in the process of discussing with its auditors on the valuation of certain assets, and further information was requested by the auditors for the purpose of completing their relevant audit procedures. The Company worked closely with its auditor and provided the auditor with updated information and materials to facilitate the audit work and the auditors have completed their audit procedures and issued an unqualified audit opinion to the 2020 Annual Results.

The Company will submit an application to the Stock Exchange for resumption of trading in accordance with the Resumption Guidance. The Company's shares will remain suspended until further notice. The Company will publish further announcement(s) as and when appropriate to provide shareholders and potential investors with any information updates.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares of the Company.

By order of the Board
Huarong International Financial Holdings Limited
Xu Xiaowu
Chairman

Hong Kong, 28 August 2021

As at the date of this announcement, the Board comprises Mr. Xu Xiaowu and Mr. Wang Junlai as executive Directors, Ms. Wang Qi as non-executive Director, and Mr. Hung Ka Hai Clement, Mr. Ma Lishan and Mr. Guan Huanfei as independent non-executive Directors.

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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

Audit Committee

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

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

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
Tai Fung Bank Limited
China CITIC Bank International Limited
Shanghai Pudong Development Bank Co., Ltd.
  Hong Kong Branch
Bank of Shanghai (Hong Kong) Limited
Fubon Bank (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,

2020 was a crucial year for HRIF in making joint efforts to tackle difficulties and overcome challenges, reshaping the development landscape and promoting transformation and revitalization. Externally, the world was experiencing unprecedented global changes and a once-in-a century pandemic, trade disputes and geopolitical tensions came into play, and Hong Kong was affected by local social incidents and economic downturn. With the strong support of China Huarong, the controlling Shareholder of the Group, the proactive and united effort of all employees, and the longstanding trust and care of customers and Shareholders, the Group formulated development plans and took initiative to seize development opportunities to actively reshape its development landscape, as it opened up "new frontiers" in "changing market conditions" and developed "new opportunities" amidst "crises", striving to further solidify the foundation for the transformation and business growth of HRIF.

We played an active role in advancing our strategic deployment to launch the Five-Year Business Development Plan. During the Year, the Group privatised and delisted HRIV by way of share swap to complete the strategic deployment of consolidating China Huarong into a standalone, centralised investment and investment banking platform in Hong Kong. The Group has also actively devised its business development plan for the next five years from 2021 to 2025 with the blueprint target of building a "professional and specialised investment bank focused on alternative investments that serves cross-border enterprises" to generate consensus and lead its future development, so as to explore a path of developing itself as a differentiated, professional and distinctive investment bank.

We took active actions to adjust business philosophy to achieve a full return to the core licensed business. The mutually beneficial integration of HRIF and HRIV has provided a solid foundation for the effective implementation of the development strategies of "principal business + license" and "investment + investment banking". An investment banking team was organized in a scientific manner, which made a breakthrough in completing the first underwriting deal in recent years. The asset management business was expanded actively, with the successful establishment by way of promotion of the first non-performing asset fund. The securities business reported growth against adverse market conditions with the addition of primary bond market settlement and clearance, Shanghai Stock Connect, Shenzhen Stock Connect and the mobile APP "華融財富通" to its services. The licensed businesses completed the critical stage of full return to the Company's licensed business with the construction of relevant infrastructure and platform, resulting in a more solid foundation for development.

We actively improved the risk control system to facilitate risk management in all aspects. The Group actively optimised its risk management and internal control compliance mechanism to avoid risks, reduce risk exposures, expand financing channels in a steady manner and assure the security of fund liquidity. We consolidated and improved the organisational structure of risk management in all aspects and refined and improved the processes of licensed businesses and project advancement, enriched and upgraded market-based risk management tools, regulated and improved the operation of risk deliberation institutions and solidified risk monitoring as well as pre-warning and reporting channels, while consistently strengthening the development of risk culture.

We advocated the people-oriented principle to cultivate and create a "co-culture" regime. The Group constantly optimised its organisational structure and staff composition, vigorously recruited professional talents, steadily implemented a positive incentive, appraisal and restraint mechanism, and encouraged staff commitment and initiative. The Group advocated the core value of "co-creation, co-commitment, co-achievement and co-sharing" in a bid to build an investment banking culture with scientificity and efficiency, optimise a risk culture emphasising on reasonableness and prudence, advocate an innovative culture of being pioneers, and promote a coordinated culture pursuing mutual benefit. Meanwhile, the Group took active actions in epidemic prevention and control to safeguard employees' safety and strengthen humanistic care and concerns.

Looking back at 2020, we made hard-earned accomplishments through strenuous efforts. On behalf of HRIF, I wish to express sincere appreciation to customers and business partners for their solidarity, support and trust, and to the Shareholders of the Company for their strong support. Meanwhile, I am most grateful to the members of the Board for their invaluable advice and devoted support for the Company, and also to all employees for their selfless dedication and hard work through thick and thin during these stormy times.

Outlook

2021 is the starting year for the implementation by the Group of its future Five-Year Business Development Plan and marks the beginning of its return to the principal business and its transformation for development. Guided by the "five strategies" of professionalization, product-based operations, fund establishment, digitalisation, and synergy, we will endeavour to develop HRIF into a professional and specialised investment bank focused on alternative investments that serves cross-border enterprises. Through the development of the next five years, we will gradually turn HRIF into a professional and specialised investment bank with the greatest influence in South China that serves cross-border enterprises, with the characteristics of "efficient corporate governance, robust core licensed business, prominent business features, premium quality of development, sound risk control ability and professional business team", with a view to exploring a path of developing ourselves as a differentiated, professional and distinctive investment bank. We will strive to realise "transition in four aspects": transition to comprehensive digitalised wealth management, transition to proactive asset management with a focus on "major non-performing" alternative assets, transition to specialised investment banking business, and transition to a FICC model of full investment banking coverage.

In 2021, external challenges will abound but even more so for opportunities, as new hotspots will emerge, giving rise to broad market prospects. HRIF will explore unique opportunities in unique times, While fully leveraging our existing business advantages and procuring expansion and improvement of the products and channels of our licensed businesses, we will effectively enhance the synergy of our licensed business segments and further develop joint actions with fellow subsidiaries of Huarong Group and expand the scope of cooperation with peer securities firms and financial institutions in great depth, with the support of the advantage in principal business and brand influence of China Huarong Group. We will be committed to driving business innovation and breakthrough, while planning for the implementation of comprehensive risk management and budget management so as to constantly enhance the Company's management performance and operating results.

With steadfast confidence, commitment and persistence in innovation, we will forge ahead with incessant effort in 2021 to develop HRIF into a professional and specialised investment bank focused on alternative investment that serves cross-border enterprises, striving to deliver greater value and return to our Shareholders, customers and employees.

Xu Xiaowu
Chairman
28 August 2021

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

Executive Directors

Mr. Xu Xiaowu, aged 50, 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 50, 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 and the Risk Management 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 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 37, 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. 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 65, 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 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 12 June 2019;

- 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 Lerthai Group Limited (formerly known as LT Commercial Real Estate Limited) (HKEx: 112) from 24 February 2017 to 3 March 2017 and a non-executive director of the company from 3 March 2017 to 30 June 2017. He was re-designated as an independent non-executive director of the company on 30 June 2017 and subsequently resigned with effect from 30 September 2018;

- an independent non-executive director of SMI Holdings Group Limited (HKEx: 198) 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 69, 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 served 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 March 2008 to present, he is an independent non-executive director of Silver Base Group Holdings Limited (HKEx: 886). 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 Hao Tian Development Group Limited) (HKEx: 474). He was the senior consultant in Hao Tian Development Group Limited from August 2012 to August 2016. 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 63, 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 and the Nomination 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 HiSpeed Financial 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 (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.

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) Ms. Wang Qi was appointed as a non-executive Director on 15 June 2020.

(2) Mr. Yu Meng resigned as Chairman of the Board and an executive Director with effect from 24 August 2020 due to other work assignment by the parent company of the Company.

(3) Mr. Yang Rungui was appointed as an executive Director and Chairman of the Board on 24 August 2020 and subsequently resigned with effect from 4 January 2021 for devoting more time to his work at CHIH.

(4) Mr. Xu Xiaowu was appointed as an executive Director and Chairman of the Board on 4 January 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 2020 interim report of the Company are as follows:

(1) Mr. Xu Xiaowu resigned as a director of HRIV on 29 January 2021.

(2) Ms. Wang Qi resigned as a director of HRIV on 29 January 2021.

(3) Mr. Guan Huanfei, an independent non-executive Director, resigned as an independent non-executive director of Solis Holdings Limited (HKEx: 2227) on 30 September 2020 and an executive director and chairman of the board of directors of Enterprise Development Holdings Limited (HKEx: 1808) on 22 May 2021; and was appointed as an independent non-executive director of Shanghai Zendai Property Limited (HKEx: 755) on 11 January 2021.

(4) Mr. Hung Ka Hai Clement, an independent non-executive Director, resigned as an independent non-executive director of Tibet Water Resources Ltd. (HKEx: 1115) on 30 June 2021 and was appointed as an independent non-executive director of Hong Kong Aerospace Technology Group Limited (HKEx: 1725) on 16 July 2021.

Senior Management

Mr. Zhang Xiaofeng, aged 49, 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 Asset Management Co., Ltd.) 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 51, was appointed as the assistant chief executive officer and chief risk officer of the Company in January 2021. Ms. Wang has over 27 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 48, 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.

Financial Highlights

The Group completed the Privatization of HRIV on 10 November 2020, and HRIV became a wholly-owned subsidiary of the Company. As the Company and HRIV are under common control, the management of the Group has adopted merger accounting method for the preparation of financial statements in accordance with AG 5 "Merger Accounting for Common Control Combinations" published by the HKICPA. The comparative amount for the Last Year has been restated accordingly, as if the Privatization of HRIV had occurred at the beginning of 2019.

For the Year, the Group recorded a revenue of approximately HK$841,008,000 (Last Year: approximately HK$2,178,379,000), net loss on financial assets at fair value through profit or loss of approximately HK$312,516,000 (Last Year: net loss approximately HK$225,236,000), and net loss arising from disposal of financial assets at fair value through other comprehensive income of approximately HK$14,184,000 (Last Year: net loss approximately HK$18,715,000). Therefore, total revenue and gains or losses described above decreased to approximately HK$514,308,000 as compared to approximately HK$1,934,428,000 for the Last Year. The Group recorded a loss for the Year of approximately HK$2,686,240,000 as compared to a loss of approximately HK$2,686,793,000 for the Last Year. Loss attributable to Shareholders for the Year was approximately HK$2,786,174,000 as compared to that of approximately HK$2,330,839,000 for the Last Year. The substantial loss of the Group for the Year was mainly attributable to: (1) the reduction of interest income in line with the reduction of investment projects held by the Group during 2020 following the completion of disposal of investment projects held by Huarong Tianhai (Shanghai) Investment Management Company Limited (華融天海（上海）投資管理有限公司) and Wide Trend Global Limited, two subsidiaries, in late 2019 to optimize its investment portfolio and alleviate financial pressure (substantial net loss and impairment loss on financial assets at fair value through profit or loss had been incurred in connection with such investment at the time and there has been no indication of significant improvement); and (2) the substantial decrease in the market value of financial assets at fair value through profit or loss in line with the decline in prices of the financial assets that the Group had invested in owing to an extensive impact of the novel coronavirus ("**COVID-19**") pandemic on the global economy and market uncertainties affecting the performance of the capital market. In addition, the Group made significant provisions in the respect of its direct investment in debt instruments, trade receivables, loans and advances in margin financing. However, the Company recorded a substantial decrease in finance costs and administrative and other operating expenses for the Year, thereby partially offsetting the impact of the aforesaid adverse factors.

During the Year, the Company issued approximately 5.1 billion new shares at a non-cash consideration for the purpose of the Privatisation of HRIV.

Basic loss per share was HK42.5 cents for the Year as compared to basic loss per share of HK37.6 cents for the Last Year. No diluted loss/earnings per share has been presented for the Year and the Last Year as there was no dilutive ordinary shares for the Year.

Market Review

In 2020, the global economy was dealt a heavy blow by the unexpected outbreak of the COVID-19 pandemic. Measures such as quarantines, lockdowns and general closures were implemented across various nations, resulting in a material impact on economic activities. According to the OECD Economic Outlook published by the Organization for Economic Cooperation and Development, global GDP declined by 4.2% in 2020. Meanwhile, adverse factors such as trade conflicts, austerity in the financial environment and geopolitical tensions persisted, resulting in greater uncertainties and hurdles for global economic development.

Despite the many obstacles for China's economic development presented by the pandemic and the global economic tension, the Chinese economy remained strong and sustained growth against the backdrop of the global pandemic, reporting a year-on-year GDP growth of 2.3% in strong recovery and stable progress. In Hong Kong, as an international financial centre backed by a solid financial foundation, affluent supply of funds and a strong presence of global talents in financial services, ample opportunities for development abounded in the market as the city was engaged in further inter-connection with the Mainland financial market.

Business Review

In 2020, the COVID-19 pandemic caused an extensive impact on the global economy, while escalating geopolitical tensions between China and the United States presented uncertainties in the market. Such factors inevitably caused 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 was unable to resume operation or production as scheduled, resulting in tighter cashflow and 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$2,207,772,000 for the full year in respect of projects subject to risks. Confronting the extremely challenging external environment, the Group persisted in making progress in prudent operations by enhancing risk management and control and actively reverting to a focus on its principal business. We seized market opportunities arising in this special period and gave full play to the synergic effect of our licensed business, as we explored business opportunities with ongoing effort and expedited our business transformation and development. 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 offering term extension and adjusting repayment schedules, to the extent permitted by our risk preference, 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, direct investments in stocks, bonds, funds, derivative instruments and other financial products and the provision of structured financing. In 2020, while the traditional asset management industry face unprecedented enormous challenges as a result of the impact of the COVID-19 pandemic and other factors, rare opportunities for development arose in the segment of non-performing assets. Under the austere market condition, the Group reviewed its investment portfolio in a prudent manner and strengthened risk management and control measures against market risks and credit risks. At the same time, 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, as we stepped up with the development of the light-asset management business. While playing a part in risk mitigation for financial institutions, we are looking forward to providing considerable investment return for investors through these funds. The segment revenue was approximately HK$601,634,000 for the Year as compared to approximately HK$1,605,725,000 for the Last Year. Due to the completion of certain projects, the interest income of this segment decreased to approximately HK$555,668,000 for the Year from HK$1,349,763,000 for the Last Year. Net loss on financial assets at fair value through profit or loss increased from approximately HK$237,899,000 for the Last Year to approximately HK$275,108,000 for the Year. The loss for the segment result increased substantially as a result of a significant decrease in revenue. The segment result was loss of approximately HK$2,344,340,000 for the Year as compared to loss of approximately HK$1,633,662,000 for the Last Year.

Securities

Securities business segment includes the provision of brokerage services, margin financing, structured financing and stocks, bonds, futures and options trading services. It is also actively developing the wealth management business and provision of investment advisory services to achieve mutual benefits and win-win results. In 2020, the Group effectively addressed the adverse impact of the COVID-19 pandemic on the development of its securities business in firm adherence to the bottom line of compliant business operation and seized opportunities presented by active market trading to further enhance its marketing. As a result, the securities business bucked the trend to report growth in the revenue from principal operations, while the mobile APP "華融財富通" also went online successfully to lay a solid foundation for stable business development in 2021. For the Year, the revenue from the securities segment was approximately HK$160,766,000 as compared to approximately HK$415,712,000 for the Last Year; the segment result amounted to loss of approximately HK$227,090,000 as compared to loss of approximately HK$575,230,000 for the Last Year, due to the certain margin projects of the Group and advances to customers in margin financing were crystalized and converted into other loans and debt instruments through deeds of assignment during the Year, which resulted in a decrease in revenue in this segment for the Year and the decline of provisions.

Corporate Finance

The US dollar bond of Chinese companies saw roller-coaster price fluctuations in 2020. During the first half of the year, US dollar liquidity was impacted by the pandemic, as US dollar bonds of Chinese companies faced bleak conditions in the primary market and falling prices in the secondary market. In the second half of the year, market liquidity improved with the benefit of quantitative easing policies adopted by central banks across the board. However, the market for US dollar bonds issued by Chinese companies were impacted by the repeated credit risk incidents occurring in China, resulting in complicated and volatile market conditions. The Group seized opportunities in capital markets to actively advance its overseas bond underwriting business. The bond capital market business commenced operations in 2020 and completed some bond underwriting deals during the Year, which included large state-owned institutions and private enterprises that were primarily financial institutions and SOE city investment companies. The Company actively expanded its bond trading network and traded with numerous new institutional and investor counterparties during the year to enhance brand recognition in the capital market. In addition, we have strengthened collaboration with fellow financial institutions with a special focus on services for cross-border companies, laying foundation for the forging of the brand characteristic of "investment + investment banking". The Company has also made a good start in the new share underwriting business with the completion of the first new share underwriting deal during the Year.

For the Year, revenue from the corporate finance segment amounted to approximately HK$511,000 as compared to revenue of approximately HK$8,907,000 for the Last Year. The segment result for the Year was loss of approximately HK$152,000 as compared to loss of approximately HK$5,064,000 for the Last Year.

Financial Services and Others

As mentioned above, on 10 November 2020, the Company completed the Privatization of HRIV, whose business 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$78,097,000 (Last Year: HK$148,035,000). Due to the fluctuation of exchange rates, exchange gains for the Year increased. The segment loss decreased to approximately HK$88,964,000 (Last Year: segment loss of approximately HK$160,600,000).

Prospects

In 2021, the continued struggle against the pandemic, the sustained effect of economic deterioration caused by the COVID-19 pandemic, the complicated and volatile situation of geopolitical frictions and the rapidly soaring global unemployment rate will combine to present enormous challenges to the global economy. Nevertheless, with world nations' increasing effort to contain the pandemic and the development of COVID-19 vaccination, the economic downside pressure resulting from social distancing measures will be alleviated to a certain extent and a new driving force for economic recovery will be generated. Year 2021 is the opening year for China's "14th Five-Year Plan", during which the government will continue to drive the growth of domestic consumption, support innovative development, improve the business environment and stimulate continuous recovery and growth of the Chinese economy despite the impact of the pandemic.

In late 2020, the Group formulated a development plan for the next five years from 2021 to 2025 (the "**Five-Year Development Plan**"), under which the Group was positioned as a "specialised capital-based investment bank focused on alternative assets that serves cross-border enterprises", with a view to exploring a path of developing itself as a differentiated, professional and distinctive investment bank.

Given the currently complicated internal and external market conditions, the Group will vigorously rise to the challenge with consistent efforts to strengthen its licensed business. We will enhance our asset management, securities and investment banking businesses to take our operational development to a new level. In connection with the asset management and direct investment business, we will continue to pivot on the principal business of China Huarong Group and focus on distressed assets and relief for corporations. Meanwhile, we will also leverage the advantage of our financial license and synergetic business to further expand and develop new fund products, actively exploring innovative cross-border businesses in relation to non-performing assets while enhancing our clientele with strong effort to gradually expand the scale of our asset management business. In the securities business, the Group will make a major effort to enhance business research and market development, striving to make breakthroughs in margin financing for new share subscription, online customer acquisition via mobile APP, structured finance and wealth management in a bid to enrich its business and product portfolio while improving the quality of customer service. In corporate finance, with the ongoing demand for overseas bond issuance on the part of Chinese companies, the market for US dollar bonds issued by Chinese companies will continue with stable development. The Company will further develop its bond capital market business. In addition, in view of the ongoing optimization of the industry mix of listed companies on the Stock Exchange, the enthusiasm for the return of "China-concept" stocks to the Hong Kong stock market will continue, and the Hang Seng Index, total turnover of the stock market and level of trading activity are expected to further stabilise in 2021. The Group will gradually commence the business of share issue underwriting and sponsorship with appropriate expansion of its team to increase the commitment of resources to business development.

2021 is the commencement year for the Group's full implementation of its Five-Year Development Plan. The Group will procure proper implementation of its tasks and secure control of operating risks to solidify its foundation and strive for a positive start. We will also leverage the advantage of Hong Kong as an international financial centre and focus on developments in the Guangdong – Hong Kong – Macau Greater Bay Area and the Yangtze River Delta region and the "Belt and Road" initiative, fulfilling our unique role as a connection between the internal market and external markets and enhancing the quality and efficiency of our operations and management through enhanced professional financial services relating to investment opportunities in cross-border non-performing companies, while implementing prudent risk management and cost control, as we continue to progress towards our goals and endeavour to add value for Shareholders.

Financial Review

Capital Structure

During the Year, the Company issued approximately 5.1 billion new shares as a non-cash consideration for the purpose of the Privatization of HRIV. As at 31 December 2020, the total number of issued shares of the Company (with par value of HK$0.001 each) was 8,709,586,011.

On 30 June 2020, the Company issued 5.905% unsubordinated perpetual capital securities in the principal amount of US$200 million to CHIH. The perpetual capital securities were accounted for as equity in the Company's statement of financial position.

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 2020, the Group had total cash and cash equivalents amounting to approximately HK$1,720,306,000 as compared to HK$3,997,190,000 as at 31 December 2019, excluding client funds that were kept in separate designated bank accounts of approximately HK$380,295,000 (31 December 2019: approximately HK$389,202,000), pledged bank deposit of HK$13,000,000 (31 December 2019: nil) and deposits on other financial institutions of HK$16,921,000 (31 December 2019: HK$89,957,000). As at 31 December 2020, 70% (31 December 2019: 88%) of the Group's cash and cash equivalents was denominated in HK$ or RMB. The Group's gearing ratio as at 31 December 2020 was 772.26% as compared to 611.53% as at 31 December 2019, 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 2020, the Group obtained shareholder loans from CHIH in an aggregate principal amount of approximately US$605,115,000 (equivalent to approximately HK$4,691,214,000) (31 December 2019: approximately US$1,161,685,000 (equivalent to approximately HK$9,048,335,000)) 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 2019: annual rate of 4.3% to 7.98%) and repayable after one year and within nine years (31 December 2019: three months to ten years) from the end of the Year. The Group had loans denominated in USD of US$260,940,000 (equivalent to HK$2,022,962,000) from Right Select International Limited (31 December 2019: the Group had loans denominated in USD of US$345,000,000 (equivalent to approximately HK$2,686,808,000) and loans denominated in HKD of HK$58,529,000). The Group also had a loan denominated in RMB of RMB499,400,000 (equivalent to approximately HK$593,365,000) from a fellow subsidiary (2019: a loan denominated in HKD of HK$86,361,000, a loan denominated in RMB of RMB521,400,000 (equivalent to approximately HK$582,063,000, a loan denominated in USD of US$10,200,000 (equivalent to approximately HK$79,435,000)). In addition, in order to strengthen the Group's equity basis and financial position, the Group entered into a subscription agreement with CHIH on 30 June 2020, pursuant to which CHIH subscribed for the 5.905% unsubordinated perpetual capital securities in the principal amount of US$200,000,000 issued by the Group, at the issue price of 100% of the principal amount issued, of which US$200,000,000 was received by the Group in respect the issuance.

As at 31 December 2020, the Group had utilised bank credit facilities of approximately HK$3,358,758,000 (31 December 2019: approximately HK$3,428,288,000), comprising HK$247,301,000 (31 December 2019: HK$190,941,000) subject to interest at fixed annual interest rates ranging from 3.9% to 6.1% (31 December 2019: annual rate of 6.1%), and HK$3,111,457,000 (31 December 2019: HK$3,237,347,000) subject to floating interest rates.

As at 31 December 2020, the Group had undrawn bank facilities of approximately HK$1,629,012,000 (31 December 2019: approximately HK$1,625,500,000), providing the Group additional liquidity as and when required.

Subsequent to the date of financial statements, the Group was unable to comply with certain non-financial covenants under several banking facilities agreements with an aggregate loan amount of approximately HK$2,639 million, due to the delay in publication of annual report for 2020 and the suspension of trading in the Company's shares since 1 April 2021. The Group is active dialogue with such banks and these banks still provide normal banking facilities to the Group and have 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 2020, except for the pledge of the gross carrying amount of the finance lease receivables of RMB321,523,000 (equivalent to HK$382,020,000) (31 December 2019: RMB316,384,000 (equivalent to HK$353,194,000)) and the time deposit of HK$13,000,000 (31 December 2019: nil) as security for the borrowing, no other assets of the Group were pledged to secure bank loan facilities of the Group.

Foreign Exchange Exposures

The Group's principal operations in Hong Kong and overseas are transacted and recorded in Hong Kong dollars and United States dollars, while principal operations in the PRC are transacted and recorded in Renminbi. The Group is not exposed to material foreign exchange risks because Hong Kong dollars are pegged to United States dollars and the revenue from the PRC operations only represents a small fraction of the Group's revenue. Other foreign currency exposure is relatively minimal when compared to our total assets and liabilities. As a result, we consider that our foreign exchange risk exposure is manageable and the Group will closely monitor the 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 Directors consider that it is not probable that an outflow of resources embodying economic benefits will be required to settle these alleged claims as at 31 December 2020 and 31 December 2019.

Save as disclosed above, the Group had no other material contingent liabilities at 31 December 2020 and 31 December 2019.

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 2020, 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 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 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$2,207,772,000 for 2020, which was mainly attributable to the following:

- For certain projects involving advances to customers in margin financing, the collaterals mainly included shares of Hong Kong-listed companies. As the borrowers of the margin projects had not been able to settle the margin deposit or provide additional collaterals in a timely manner, the ongoing risk exposures of the projects had been classified as stage three. During the Year, under the impact of the COVID-19 pandemic and other factors, the value of the collaterals further declined by a significant margin, and the Group estimated through assessment the future cashflows that could be collected from the borrowers and assessed the value of the relevant collaterals on an individual basis, thereby determining an impairment provision of approximately HK$314 million in respect of advances to customers in margin financing for such projects for 2020.

- Under two margin projects of the Group, advances to customers in margin financing were converted into other loans and debt instruments on 30 April 2020 through deeds of assignment. The collaterals for the projects mainly comprised equity interests in a company, which was delisted in 2020, and the additional collateral of land and properties located in China. In the second half of 2020, the land and properties were put on sale by way of public auction by the first-ranking creditor. Affected by the COVID-19 pandemic, the amount and progress of the sale was below expectations. Moreover, with the public auction of the land and properties, other creditors of the borrowers applied to the court for seizure. Following assessment of the expected amount recoverable by the Group from the aforesaid disposal of collaterals and the probability of recovery, as well as the overall cashflow that could be recovered from the borrowers in future for projects, an impairment provision of HK$519 million was made in respect of advances to customers in margin financing and other loans and debt instruments for the Year.

- Under two margin projects of the Group, advances to customers in margin financing were also crystalised and converted into other loans and debt instruments on 30 April 2020 through deeds of assignment. The main collaterals for the projects comprised shares of a listed company and mortgage of land parcels located in Saipan. Under the impact of the COVID-19 pandemic during the Year, the listed company recorded significant losses in operating results and its shares lacked active trading in secondary market. Meanwhile, factors such as the large-scale outbreak of the COVID-19 pandemic in the United States and rising unemployment rate resulted in substantial depreciation in the value of the collaterals. Accordingly, as a matter of prudence, the management classified the projects as stage three. After taking reference to the valuation report prepared by an independent valuer on the collaterals, the management anticipated that the present values of the estimated future cash flows of the projects would not be sufficient to meet the loans outstanding owed to the Group in connection with the projects. As a result, an impairment loss of approximately HK$713 million was made in respect of advances to customers in margin financing and other loans and debt instruments for the Year.

- The net amount of impairment provision for financial assets at fair value through other comprehensive income was approximately HK$102 million. It was mainly attributable to the further deterioration of the operation during the Year of publicly issued bonds which had already been classified as stage three, as well as the delay in interest payment of a perpetual debt, as the management was of the view that it might be subject to expected loss and was therefore classified as stage three. After the assessment of the credit status of the bond issuers, probability of default and expected loss ratio, the management recognised impairment loss of approximately HK$102 million for 2020.

- A project of the Group involving advances in margin financing was secured by collaterals including stocks of Hong Kong-listed companies and 60% equity interests in a non-listed Mainland company. As the Hong Kong-listed company delayed the publication of its 2019 annual results and 2020 interim results, and trading in the shares of the listed company had been suspended since September 2020 and the listed company had been subjected to a petition for liquidation, while the business of the non-listed Mainland company declined as a result of the pandemic, there was a significant decline in the value of the collaterals of the project, and an impairment provision of HK$210 million was made for the Year.

- A receiver was appointed for the disposal of the collaterals of another loan project. Affected by the COVID-19 pandemic and the decline in market prices, the value of the collaterals of the project was subject to substantial devaluation. The management has made an impairment provision of HK$150 million based on a recoverable value represented by market quotations from potential buyers.

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) On 3 July 2020, the Board requested the board of directors of HRIV to put forward to the Scheme Shareholders a proposal regarding the Privatization of HRIV by the Company by way of a scheme of arrangement (the "**Scheme**") under section 86 of the Companies Law of the Cayman Islands (the "**Proposal**"). Pursuant to the Proposal, the Company made a conditional share exchange offer to the Scheme Shareholders for the cancellation and elimination all the Scheme Shares in exchange for 2.82 newly issued shares in the Company for each Scheme Share on the basis of Scheme Shares held on the Scheme Record Date. The Scheme and the Proposal constituted a very substantial acquisition of the Company. For details, please refer to the circular of the Company dated 25 September 2020.

At the court meeting held on Tuesday, 27 October 2020, the Scheme was approved by the Scheme Shareholders. On the same date, the special resolution approving the Scheme, the issue and the capital reduction were adopted by the shareholders of HRIV by way of poll at its extraordinary general meeting. The Shareholders of the Company also duly adopted the resolution approving the Scheme and the allotment and issue of the Company's shares to the Scheme Shareholders by way of poll at the extraordinary general meeting of the Company.

The Scheme became effective on 10 November 2020 (Cayman Islands time). A total of approximately 5.1 billion new Shares were allotted and issued by the Company pursuant to the Scheme on 11 November 2020. The withdrawal of the listing of the shares of HRIV on the Stock Exchange became effective from 4:00 p.m. on Thursday, 12 November 2020. HRIV became a wholly-owned subsidiary of the Company.

HRIV's principal business are direct investments in stock, bonds, funds, derivatives and other financial products, financial services and others including but not limited to finance leasing and money lending. The Proposal will allow the Company to achieve economies of scale and cost savings which are necessary for sustainable and profitable growth in its licensed businesses including the asset management and direct investment, securities and corporate finance businesses. The combination of the Company and HRIV will create a unified platform, thereby enabling more efficient and focused use of the network and resources of the Huarong brand under the strong support of China Huarong. HRIV's extensive business network also provides the Company with rich client resources, which could effectively strengthen the Company's businesses. By consolidating HRIV, the Company will be better positioned to implement its development strategy of "investment + investment banking".

Meanwhile, following the Privatization of HRIV, the Group will further expand in scale with a more diversified business portfolio and further optimisation in revenue base, capital base and net asset value. Moreover, following the completion of the privatization, the shareholding base of the Company will be enlarged and its market capitalization will also increase substantially as a result, thereby further consolidating the Company's position as a major listed company on the Stock Exchange.

(2) In late December 2020, Huarong Shengyuan (Beijing) Investment Co. Ltd. (華融晟遠(北京)投資有限公司) ("**Huarong Shengyuan**"), a wholly-owned subsidiary of the Company, published an announcement on the website of Tianjin Financial Assets Exchange ("**TJFAE**") in relation to the commencement of official procedures for the disposal of creditors' rights assets (including primary creditor's rights and guarantee rights) ("**Creditors' Right Assets**") by way of listing-for-sales. The primary creditor's rights included the principal amounts, interests, penalty interests and liquidated damages for two matured creditors' rights due from Qingdao Jiayaohua Realty Co., Ltd. (青島嘉耀華置業有限公司) to Huarong Shengyuan with a total contract amount of RMB906,196,100. On 30 December 2020, Huarong Shengyuan received a notification from TJFAE stating that, following the eligibility vetting process performed by TJFAE, one interested assignee fulfilling the assignment conditions, namely Zhongwei Group (Qingdao) Co., Ltd. (中巍集團(青島)有限公司) ("**Zhongwei Qingdao**"), had been solicited for the assignment. On 30 December 2020 (after the close of trading hours), Huarong Shengyuan entered into a creditor's right assignment agreement with Zhongwei Qingdao for the assignment of all interests in the Creditors' Right Assets at a final consideration of RMB680 million in accordance with the rules of TJFAE (the "**Assignment**"). In accordance with Rule 14.44 of the Listing Rules, the Company had obtained the written approvals of Camellia Pacific and Right Select for the Assignment, the creditor's right assignment agreement and transactions contemplated thereunder on 13 January 2021, in lieu of tabling the Assignment at a general meeting of the Company. For details, please refer to the circular of the Company dated 25 February 2021. For details of the subsequent development of the Assignment, please refer to Paragraph (3) of "Events After the End of the Reporting Period".

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2020, the Group employed a total of 79 employees (31 December 2019: 103 employees). The Group's staff recruitment and promotion are primarily based on individuals' merits, relevant experiences, development potentials for the positions offered and performance. Staff remuneration and benefit policies, which are formulated by reference to market rates, are competitive and performance-based.

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.

Results

The Group's results for the Year and the financial position of the Group as at 31 December 2020 are set out on pages 106 to 251 of the consolidated financial statements.

Dividends

The Board does not recommend the payment of a final dividend for the Year (2019: nil).

Business Review

The business review of the Group for the Year is set out in the section headed "Management Discussion and Analysis" on pages 13 to 25 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 252 to 253 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. The Group put forward a proposal of privatization by way of a scheme of arrangement to HRIV during the Year. Under the Scheme, the Company issued 5,121,120,000 Shares in total to the eligible shareholders of HRIV on the basis of 2.82 Shares of the Company for 1 HRIV shares. The privatisation was completed on 10 November 2020 (Cayman Islands time). Save for the issue of Shares under the Scheme, the Company did not change its share capital during the Year.

Perpetual Capital Securities Classified as Equity Instruments

During the Year, in order to strengthen the Group's equity basis and financial position, the Company issued perpetual capital securities in the principal amount of US$200,000,000 (equivalent to approximately HK$1,550,300,000), at the issue price of 100% of the principal amount issued, to CHIH, an intermediate holding company of the Company. 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. 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.

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 new share option scheme on 9 September 2011 (the "**Share Option Scheme**"). Pursuant to the Share Option Scheme, the Directors of the Company, 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 of the Company as having contributed or may contribute to the development and growth of the Group. No share options were outstanding nor granted during the Year.

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 memorandum of association and 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

Save for the Shares issued under the Scheme for the Privatisation of HRIV, 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 111 of the consolidated statement of changes in equity.

Distributable Reserves

As at 31 December 2020, the Company has no reserves available for distribution (31 December 2019: 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 approximately HK$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 33.4% of the Group's total turnover and turnover attributable to the largest customer included therein represented approximately 9.8% 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 assesses, monitors and manages the credit and market risks through the risk management department which is independent from the business department, and relevant assessment result is reported to relevant business teams of the Group in a timely manner. After receiving the assessment and report, the relevant business teams will prepare credit and market risk mitigation plans. Upon obtaining clearance from the legal and compliance department and the risk management department in relation to such risk mitigation plans, they 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 makes valuable recommendations on risk management.

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 70 to 96 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 70 to 96 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)* (appointed on 24 August 2020 and resigned on 4 January 2021)
Mr. Yu Meng *(Chairman)* (resigned on 24 August 2020)
Mr. Wang Junlai *(Chief Executive Officer)*

Non-executive Director:

Ms. Wang Qi (appointed on 15 June 2020)

Independent Non-executive Directors:

Mr. Hung Ka Hai Clement
Mr. Ma Lishan
Mr. Guan Huanfei

Please refer to pages 6 to 12 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 2020, 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 2020, 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 2020
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 2020
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 2020, no other persons (other than a Director or the chief executive of the Company) who 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 connected transaction and continuing connected transactions which are required to be disclosed in accordance with Chapter 14A of the Listing Rules:

Very Substantial Acquisition and Connected Transaction

On 3 July 2020, the Board requested the board of HRIV to put forward to the scheme shareholders a proposal regarding the Privatization of HRIV by the Company by way of a scheme of arrangement under section 86 of the Companies Law. Under the proposal, the Company made a conditional share exchange offer (for every one scheme share held exchanging for 2.82 Shares) to the scheme shareholders for the cancellation of all the shares in issue of HRIV (the "**Scheme Shares**"), in exchange for newly issued Shares based on the holding of Scheme Shares on the scheme record date. The above exchange ratio has been determined on commercial basis after taking into account the prevailing and historical market price levels of both the Shares and the shares of HRIV traded on the Stock Exchange, the audited consolidated net asset value per Share and per HRIV share as of 31 December 2019, and other privatization transactions in Hong Kong in recent years.

The Privatization of HRIV allows the Company to achieve economies of scale and cost savings, which are necessary for sustainable and profitable growth in its licensed businesses. The combination of the Company and HRIV creates a unified platform, thereby enabling more efficient and focused use of the network and resources of the Huarong brand under the strong support of China Huarong. HRIV's extensive business network also provides the Company with rich client resources, which could effectively strengthen the businesses of the Company. By joining forces with HRIV, the Company is well-positioned to implement its development strategy of "investment + investment banking".

As the highest of the applicable percentage ratios (as defined in the Listing Rules) for the proposal and the scheme exceeds 100%, the Proposal and the Scheme constitute a very substantial acquisition for the Company. Moreover, pursuant to the proposal and the scheme, the Company will make a conditional share exchange offer for cancellation of all the Scheme Shares held by, and issue new Shares to the scheme shareholders, including Right Select and Tian Yuan Asset Management. China Huarong is a connected person of the Company by virtue of being its indirect substantial shareholder, and Right Select is an associate (as defined under the Listing Rules) of China Huarong by virtue of being ultimately wholly-owned by China Huarong and therefore Right Select is a connected person of the Company. In addition, Mr. Jia Tianjiang is a connected person of the Company by virtue of being its indirect substantial shareholder, and Tian Yuan Asset Management is an associate (as defined under the Listing Rules) of Mr. Jia by virtue of being indirectly 99.96% owned by him and therefore Tian Yuan Asset Management is a connected person of the Company. As such, the proposal and the scheme (including the cancellation of relevant Scheme Shares held by Right Select and Tian Yuan Asset Management and the issue of new Shares to each of them thereunder) also constitute a connected transaction for the Company.

The proposal and the scheme, including the allotment and issuance of new Shares as consideration for the cancellation and extinguishment of the Scheme Shares under specific mandate, have been approved by independent Shareholders at a special general meeting convened by the Company on 27 October 2020. The scheme became effective on 10 November 2020 (Cayman Islands time) and subsequently the withdrawal of the listing of the HRIV shares on the Stock Exchange became effective from 4:00 p.m. on Thursday, 12 November 2020. Thereafter, HRIV and its subsidiaries has become subsidiaries of the Company and their financial results has consolidated into the financial statements of the Group.

Pursuant to the scheme, a total of approximately 5.1 billion new Shares were allotted and issued to the scheme shareholders.

For further details of the proposal and the scheme, please refer to the circular of the Company dated 25 September 2020.

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 corporate finance advisory services (Category II Transactions) to its fellow subsidiary and earned underwriting income of US$61,920 (equivalent to approximately HK$480,000).

(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 Company;

(2) on normal commercial terms or on terms no less favourable to the Company 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 "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 Company;

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 connected transactions, continuing connected transactions and the Group's significant transaction with related parties, please refer to note 43 to the consolidated financial statements. All the related parties transactions except item (b) (viii) 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 2020, 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:

Date of Agreements	Nature of Agreements	Aggregate Amount	Life of the Facility	Specific Performance Obligations
21 February 2019	Uncommitted revolving loan facility with a bank	US$100,000,000	Extended to 20 January 2021	Note 1
17 March 2020	Revolving loan facility with a bank	HK$600,000,000	No fixed term and are repayable on demand by the bank	Note 2
21 May 2020	Uncommitted revolving loan facility with a bank	US $100,000,000	The interest period may be selected for each revolving advance of 1, 2, 3 or (subject to availability) 6 month(s) or any other period agreed between the Company and the bank. The facility shall be repaid in full on the date as notified by the bank from time to time at its sole discretion.	Note 3
11 August 2020	Uncommitted revolving credit facility with a bank	US$40,000,000	The Company may make one or more drawdown or rollover of a drawing on or before 20 June 2021, provided that no event of default has occurred or is continuing. The facility has interest periods of one, two or three month(s) each to be agreed by the Company and the bank subject to availability of funds by the bank and each drawdown or rollover of each drawing shall be repaid on the last day of the interest period applicable to it. In any case, an interest period shall not extend beyond 20 September 2021.	Note 4

Date of Agreements	Nature of Agreements	Aggregate Amount	Life of the Facility	Specific Performance Obligations
8 September 2020	Revolving short term advance facility with a bank	US$40,000,000	The facility has an interest period of up to three months at the Company's option, subject to the availability of funds by the bank and each advance shall be repaid at the end of the interest period, provided that the Company may request for a redrawing. The facility shall be subject to review by the bank on 31 May 2021 and thereafter to an annual review.	Note 5
8 September 2020	Margin security facility with a bank	HK$300,000,000	The margin facilities shall be subject to review by the bank on 31 May 2021 and thereafter to an annual review.	Note 6
17 December 2020	Term loan facility with a bank	HK$800,000,000	The final maturity date will be extended to 18 December 2021.	Note 7
17 April 2020	Revolving loan facility with a bank	HK$300,000,000	The facility is unsecured and shall be at all times available at the sole and absolute discretion of the bank.	Note 8
20 May 2020	Revolving loan facility with a bank	HK$130,000,000	The credit period is 18 months from the agreement date.	Note 9

Notes:

1. China Huarong has undertaken to maintain its status as the Company's controlling Shareholder as long as the facility remains outstanding. In addition, under the facility letter, the Company shall be directly or indirectly at least 51% beneficially owned and controlled by China Huarong throughout the life of the facility.

2. China Huarong has undertaken to continuously maintain control over HRIS as long as the facility remains outstanding.

3. Under the terms of the facility agreement, the Company shall ensure to remain as a subsidiary of China Huarong, and shall ensure that CHIH shall maintain its status as the controlling shareholder of the Company. Moreover, China Huarong has undertaken to continuously maintain control over the Company as long as the facility remains outstanding.

4. During the term of the facility, China Huarong shall maintain not less than 51% shareholdings of the Company, and the MOF shall remain as the controlling shareholder of China Huarong.

5. The availability of the facility is subject to the condition that, during the term of the facility, the Company shall be directly or indirectly at least 51% beneficially owned and controlled by China Huarong, which in turn shall have the MOF as its controlling shareholder.

6. The availability of the margin facilities is subject to the condition that, during the term of the facility, HRIS shall be directly or indirectly wholly owned by the Company, which in turn shall be directly or indirectly at least 51% beneficially owned and controlled by China Huarong.

7. The availability of the facility is subject to, among other things, China Huarong continues to be the beneficial owner directly or indirectly holding 51% or more of the issued share capital of the Company. Moreover, a new letter of comfort will be executed by China Huarong in a form satisfactory to the bank on or before 18 February 2021 as long as the facility remains outstanding.

8. China Huarong has undertaken to, among other, remain as the majority shareholder of HRIV as long as the facility remains outstanding.

9. Under the facility letter, as long as the facility remains outstanding, CHIH should directly or indirectly hold not less than 50% shareholding of HRIV.

Details of the above mentioned banking facilities are set out in the announcements of the Company dated 21 February 2019, 17 March 2020, 21 May 2020, 11 August 2020, 8 September 2020 and 17 December 2020, and the announcements of HRIV dated 17 April 2020 and 20 May 2020.

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 48 to 69 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

After the end of the Year, the Group has the following subsequent events:

(1) Mr. Yang Rungui resigned as the Chairman of the Board and an executive Director and Mr. Xu Xiaowu was appointed as the Chairman of the Board and an executive Director, both with effect from 4 January 2021.

(2) HRIV entered into a facility letter with a bank in relation to the revolving loan facility in an aggregate amount of US$10,000,000 (or its equivalent amount in HKD), and signed a revolving loan facility letter with a bank for a facility up to an aggregate amount of HK$200,000,000; the Company and HRIS entered into a revolving loan facility letter with a bank for facilities up to an aggregate of HK$200,000,000 and HK$100,000,000, respectively; the Company entered into a supplemental facility letter with a bank on 28 April 2021 to renew a facility in an aggregate amount of up to US$100,000,000 (or equivalent in HKD) to 31 August 2021, which has been further renewed to 31 October 2021 subsequently. For further details about these facilities, please refer to the announcements of the Company dated 15 January 2021, 20 January 2021, 25 March 2021, 28 April 2021 and 26 July 2021.

(3) In terms of the disposal of the Creditors' Rights Assets by Huarong Shengyuan as disclosed in paragraph (2) of "Significant Events during the Year", a deposit of RMB20 million was received at the end of 2020. Huarong Shengyuan further received the assignment price of RMB260 million from Zhongwei Qingdao from 1 January 2021 to the date of this report. Huarong Shengyuan has been in close contact with Zhongwei Qingdao to actively promote the payment of the remaining assignment price by Zhongwei Qingdao. Based on the above development, full impairment reversal could not be recognised in the Year given that the transaction has not yet been completed on the date of this report.

(4) The Company was aware that, the board of directors of China Huarong announced on 18 August 2021 that, China Huarong entered into an investment framework agreement (the "**Framework Agreements**") with each of CITIC Group Corporation, China Insurance Investment Co., Ltd., China Life Asset Management Company Limited, China Cinda Asset Management Co., Ltd. and Sino-Ocean Capital Holding Limited, pursuant to which such potential investors intend to make strategic investments in China Huarong by subscription of the new shares of China Huarong, subject to the approval and consent of relevant regulatory authorities and without affecting the listing status of China Huarong on the Stock Exchange. The Framework Agreements are not binding formal share subscription documents. If such potential strategic investment is implemented, it will effectively replenish the capital of China Huarong.

Save as the above, the Group has no significant events subsequent to the Year to the date of this 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 three independent non-executive Directors, namely Mr. Hung Ka Hai Clement, Mr. Ma Lishan and Mr. Guan Huanfei. 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. On 30 March 2020, the Board has resolved, with the recommendation of the Audit Committee, to propose the appointment of Ernst & Young as the new auditor of the Company in order to align the appointment of auditor with that of its controlling Shareholder, China Huarong. For further details in respect of proposed change of auditor, please refer to the announcement of the Company dated 30 March 2020. Deloitte Touche Tohmatsu has retired as the auditor of the Company and Ernst & Young has been appointed as new auditor at the conclusion of the AGM held on 2 June 2020. Ernst & Young will hold office until the conclusion of the next AGM and retire, and a resolution for their reappointment as 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 August 2021

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 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

During the Year, the Board of Directors had six Directors comprising two executive Directors, one non-executive Director and three independent non-executive 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 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.

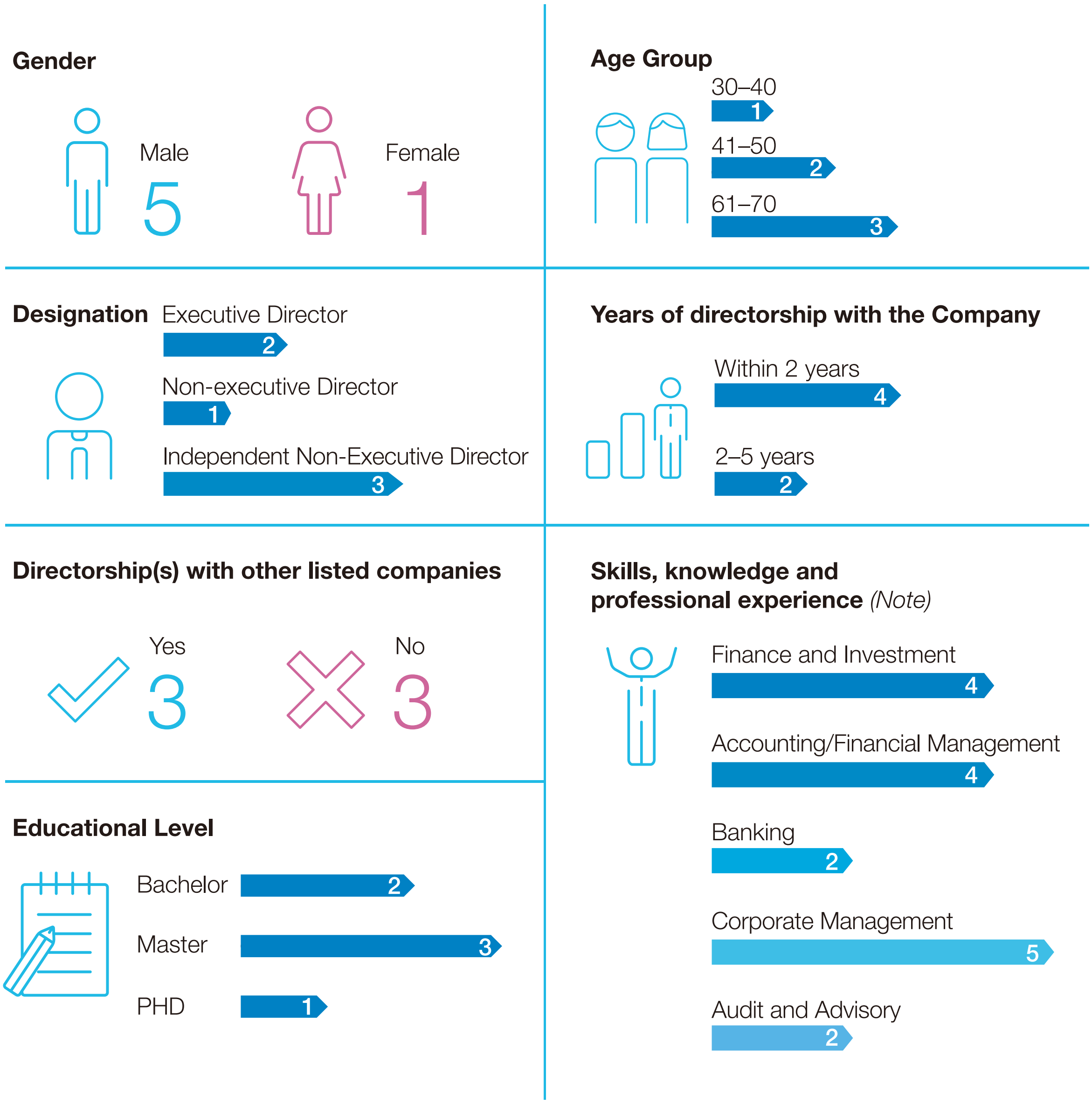
Board Diversity

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.

Having reviewed the Board composition, the Nomination Committee recognized the importance and benefits of the gender diversity at the Board level. In June 2020, the Company appointed Ms. Wang Qi as a non-executive Director for an initial term of two years commencing from 15 June 2020, which is subject to retirement for re-election and rotation in accordance with the Company's Bye-laws. With the addition of Ms. Wang Qi and her role as a non-executive Director, the Board's gender diversity and the composition of the Board have both been enhanced.

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 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 and five ad-hoc meetings. The attendance record of individual Directors is set out below. Figures in brackets indicates the total number of meetings held during the period in which the individual was a Director.

Directors	Attendance/ Number of Meetings Held
Executive Directors	
Xu Xiaowu (appointed on 4 January 2021)	N/A
Wang Junlai	9/(9)
Non-executive Director	
Wang Qi (appointed on 15 June 2020)	5/(6)
Independent Non-executive Directors	
Hung Ka Hai Clement	9/(9)
Ma Lishan	9/(9)
Guan Huanfei	8/(9)
Former Directors	
Yang Rungui (appointed on 24 August 2020 and resigned on 4 January 2021)	2[Note]/(4)
Yu Meng (resigned on 24 August 2020)	4/(5)

Note: Mr. Yang Rungui voted at the two of the Board meetings by proxy during his tenure.

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. Yu Meng resigned from position of Chairman on 24 August 2020. Mr. Yang Rungui was appointed as Chairman from 24 August 2020 and resigned 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, the former Chairman, Mr. Yang Rungui 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 Directors) 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 conducted by the Company's perennial legal adviser on disclosure requirements under the Listing Rules and the SFO and material updates on the Listing Rules to develop 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 (appointed on 15 June 2020)	B
Hung Ka Hai Clement	A, B
Ma Lishan	A, B
Guan Huanfei	A, B
Yang Rungui (appointed on 24 August 2020 and resigned on 4 January 2021)	B
Yu Meng (resigned on 24 August 2020)	B

A — attending seminars/conferences/forums/briefings/workshops/programmes relevant to the businesses of the Company and/or Director's duties

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 during the Year, for overseeing particular aspects of the Company's affairs. 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 three independent non-executive Directors, namely Mr. Hung Ka Hai Clement, Mr. Ma Lishan and Mr. Guan Huanfei, 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. Private 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. Figures in brackets indicates the total number of meetings held in the period in which the individual was a member of the Audit Committee.

Committee members	Attendance
Hung Ka Hai Clement *(Chairman)*	4/(4)
Ma Lishan	4/(4)
Guan Huanfei	4/(4)

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

- Reviewed the 2019 annual results and the 2020 interim results of the Group and discussed and approved the relevant financial reports;
- Reviewed the 2019 annual audit report and the 2020 interim review report of the Company's external independent auditor;
- Reviewed the 2020 annual audit plan of the Company's external independent auditor;
- Reviewed the Group's operating plan and budget prepared by the management;
- Met with the Company's external independent auditor to discuss their audit work on the Group;
- Reviewed continuing connected transactions for the year of 2019 and the external independent auditor's report on continuing connected transactions;
- Discussed and made recommendations to the Board on change of the external independent auditor of the Company;
- 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 programmes 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, one Remuneration Committee meeting was held. The attendance record of individual members is set out below. Figures in brackets indicates the total number of meetings held in the period in which the individual was a member of the Remuneration Committee. Remuneration Committee also considered and approved resolutions by way of written resolutions.

Committee members	Attendance
Guan Huanfei *(Chairman)*	1/(1)
Hung Ka Hai Clement	1/(1)
Ma Lishan	1/(1)

During the Year, the Remuneration Committee made recommendations to the Board on the senior management's incentive bonus and salaries and made recommendations to the Board for such to be approved, if thought fit.

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, 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. Figures in brackets indicates the total number of meetings held in the period in which the individual was a member of the Nomination Committee. Nomination Committee also considered and approved resolutions by way of written resolutions.

Committee members	Attendance
Hung Ka Hai Clement *(Chairman)*	3/(3)
Xu Xiaowu (appointed on 4 January 2021)	N/A
Ma Lishan	3/(3)
Guan Huanfei	3/(3)
Former Committee members	
Yang Rungui (appointed on 24 August 2020 and resigned on 4 January 2021)	0/(0)
Yu Meng (resigned on 24 August 2020)	2/(3)

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 2020 AGM, reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board and the independence of the independent non-executive Directors, and considered changes of Directors and the Chairman of the Board and appointment of the new 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 (appointed on 15 June 2020), and the independent non-executive Director, namely Mr. Ma Lishan, 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. Figures in brackets indicates the total number of meetings held in the period in which the individual was a member of the Risk Management Committee.

Committee members	Attendance
Ma Lishan *(Chairman)*	2/(2)
Xu Xiaowu (appointed on 4 January 2021)	N/A
Wang Junlai	2/(2)
Wang Qi (appointed on 15 June 2020)	2/(2)
Former Committee members	
Yang Rungui (appointed on 24 August 2020 and resigned on 4 January 2021)	1/(1)
Yu Meng (resigned on 24 August 2020)	1/(1)

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 2020 and for the year of 2021. 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.

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 five areas according to related risks in business activities: firstly, scientifically sound risk preference indicators have been formulated in accordance with the Company's strategic development plan; secondly, 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; thirdly, the Risk Management, Legal and Compliance Department and Treasury Department are responsible for regular monitoring and control over corporate and business risks; fourthly, the Operational Decision Committee (formerly known as Investment Decision Committee) is responsible for business review and project risk assessment and supervision; fifthly, 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 its internal control regime and reinforced its management infrastructure in persistent adherence to the management and control objective of “enhancing internal control, preventing risks, procuring compliance and fostering long-term efficiency.” Firstly, we have optimised the development of our internal control regime. The management and control over our licensed business, key areas, major processes and high-risks areas has been enhanced on the basis of total management control according to the requirements of our business development and management. Risk management and compliance management have been incorporated into the business processes to procure the legal compliance of all operating activities of the Company and enhance the effectiveness of its internal control management regime. Secondly, improvements have been made to the internal control management system. We have made comprehensive adjustments and amendments to our internal control management system benchmarked against external regulatory requirements, covering aspects such as corporate governance, risk management, legal compliance, financial management and business management, stipulating specific control requirements and risk response measures for important business areas and critical processes in further improvement of the internal control management system. Thirdly, the level of informatization of the internal control regime has been increased. The online approval processes of business systems and management delegations for managers at various grades have been further adjusted and regulated with the incorporation of management measures of the internal control regime into various business information systems, ensuring that all operational and management decisions and executions are controllable, traceable and examinable, effectively reducing the risk of manual manipulation and gradually realising organic integration of the internal control regime and business information system. Fourthly, an internal control compliance culture has been fostered. Through training, appraisal, inspection and rectification, staff awareness for compliance has been strengthened and an internal control compliance culture has been fostered to enhance internal control compliance and risk aversion ability, thereby advancing development of a compliance management mechanism with long-lasting effectiveness.

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 2020, 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 97 to 105 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. On 30 March 2020, the Board resolved, with the recommendation of the Audit Committee, to propose the appointment of Ernst & Young as the new auditor of the Company after the retirement of Deloitte in order to align the audit arrangements between the Company and its controlling Shareholder, with a view to enhancing the efficiency of the audit services. The appointment of Ernst & Young as the Company's auditor was approved at the AGM held on 2 June 2020. 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 2020 and 2019 are summarised as below:

	2020 HK$'000	2019 HK$'000
Audit services	4,621	2,935
Interim review services	1,616	1,310
Non-audit services (include taxation and other professional services)	2,003	1,075

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 and one special general meeting. The attendance record of individual Directors is set out below. Figures in brackets indicates the total number of meetings held in the period in which the individual was a Director of the Company.

Directors	AGM	Special General Meeting
Executive Directors		
Xu Xiaowu (appointed on 4 January 2021)	N/A	N/A
Wang Junlai	1/(1)	1/(1)
Non-executive Director		
Wang Qi (appointed on 15 June 2020)	N/A	1/(1)
Independent Non-executive Directors		
Hung Ka Hai Clement	1/(1)	1/(1)
Ma Lishan	1/(1)	1/(1)
Guan Huanfei	1/(1)	1/(1)
Former Directors		
Yang Rungui (appointed on 24 August 2020 and resigned on 4 January 2021)	N/A	0/(1)
Yu Meng (resigned on 24 August 2020)	1/(1)	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 proposal 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

About this Report

Huarong International Financial Holdings Limited (the "Company") strives to embed sustainable development concepts into development strategies and daily operations. Through annual publications of the Environment, Social and Governance Report (the "report"), the Company presents stakeholders with the environmental, social and governance ("ESG") policies, measures, and performance of the Company and its subsidiaries (collectively referred as the "Group" or "HRIF").

Scope of the Report

The report contains HRIF's core business operating in Hong Kong, including securities, corporate finance, asset management, and direct investment during the period from 1 January to 31 December 2020 (the "period"). The reporting scope of this report is consistent with that of the previous report and the Group's operating boundary, covering the operations of the headquarters in Pacific Place, the Sheung Wan branch, and the Mong Kok branch. The Group privatized Huarong Investment Stock Corporation Limited ("HRIV") in November 2020. Due to the principle of materiality, the Group has yet to include HRIV into the reporting scope. The Group will consider further expand the reporting scope in the future to fully reflect the sustainability performance.

Reporting Standards

The report is prepared in accordance with the ESG Reporting Guide (2016 Edition) (the "Guide") under Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange Hong Kong Limited issued by the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and adheres to the reporting principles of materiality, quantitative, balance and consistency as the reporting basis. To allow stakeholders to gain a comprehensive understanding of the Group's ESG performance, this report not only complies with the "comply or explain" provisions, but also discloses part of social key performance indicators ("KPIs") categorized as "recommended disclosures" in the Guide.

Data Preparation

HRIF has established internal controls and formal review procedures to ensure the accuracy and reliability of the information presented in the report. The report was reviewed and approved by the board of Directors of the Company (the "Board") on 28 August 2021.

Report Publication

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

Feedback Mechanism

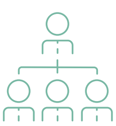
The opinions and suggestions from stakeholders can encourage the Group to develop finer and robust sustainable development strategies in the future. Please contact the Company at ir@hrif.com.hk if you would like to make inquiries or provide suggestions on the content or format of the report.

Sustainability Performance

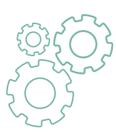
As the world is currently facing common challenges in resource shortages, destruction of the natural environment, and climate change, the development of green finance and promoting the sustainable development of the financial market is one of the indispensable jobs. The Securities and Futures Commission of Hong Kong (the "SFC") published the Strategic Framework for Green Finance in 2018, which suggested five major green finance strategies to drive the convergence between the financial market in Hong Kong and the development of global markets and regulations. In 2020, the SFC published a Joint Statement on the Establishment of the Green and Sustainable Finance Cross-Agency Steering Group, and initiated a Steering Group with members including the Environment Bureau, the Financial Services and the Treasury Bureau, the Stock Exchange, the Insurance Authority, and the Mandatory Provident Fund Schemes Authority. The Steering Group was established to assist the Hong Kong Government in developing policies and regulations on green and sustainable finance, reflecting the development trend of green finance in Hong Kong.

As a Hong Kong listed licenced company under China Huarong, HRIF is committed to fulfilling corporate social responsibilities as a financial enterprise. The Group strives for sustainable development and constantly reinforces communication with stakeholders. The Group strives to seize new opportunities in the market, to develop new businesses and to achieve enterprise transformation to provide clients with diversified and distinctive financial services. To further promote the Group's sustainable development in its operations, the Group actively responds to national policies on capacity control and green development, by inspecting access criterion of projects, and limiting investments in conventional manufacturers with high energy consumption levels, high pollution levels, and excessive production capacity.

Prospecting the future, the Group will continue to reinforce its support in industries developing in environmentally friendly and clean energy to promote sustainable development of these industries. In terms of its own operations, the Group will pursue on perfecting its sustainability governance structure and sustainability strategies, through undertaking duties on environmental conservation, community well-being, and performance inspection from each department, thus effectively managing ESG risks and establishing foundations for the formulation of sustainable development goals.

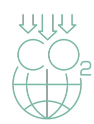


Improve sustainability governance structure



Formulate the 'Triple Fixed' human resources management system

Provide full employee training



Reduce greenhouse gas emissions

Sustainability Governance

HRIF spares no effort to create values for the society whilst developing its business, thereby reducing potential environmental and social impacts. To better seize and respond to the risks and opportunities in sustainable development, the Group initiated an effective and transparent governance structure to develop a sturdy foundation for achieving long term sustainability strategies and targets.

ESG Working Group

As the highest governance body of the Group, the Board is responsible for the decision-making of the implementation of corporate social responsibilities, as well as supervising and monitoring the Group's ESG strategies and reporting. The Group's ESG Working Group (the "Working Group") is responsible for coordinating and supervising duties on environmental protection and community wellbeing, regularly inspects and summarises the achievements, and reports the performance and progress to the Board.

The Board

- Monitor and supervise the Group's strategic deployment, development direction, and the execution of corporate social responsibilities
- Examine the sustainability risk management mechanism to ensure it is effective
- Review ESG reports annually, review and analyse KPIs

Working Group

- Set and execute sustainability strategies, policies, and measures
- Coordinate with business units to identify and manage sustainability risks
- Evaluate the Group's sustainability performance, report to the Board and offer suggestions for improvement
- Prepare annual ESG reports

The Chief Executive Officer of the Group chairs the Working Group, whilst the secretary of the Board serves as the vice chairman. Representatives from each department are invited, including the office of the Board (the Audit Department), the General Management and Human Resources Department, the Financial Technology Department, the Legal Compliance Department, and the Risk Management Department, to assure the smooth implementation of sustainability-related measures. In order to reinforce the understanding and awareness of ESG-related issues among the members of the Working Group and employees, the Group initiates a kick-off meeting and training before commencing on the ESG reporting every year, demonstrating and analysing ESG-related requirements in the Listing Rules of the Stock Exchange.

Risk Management

HRIF believes that effective risk management is one of the indispensable factors for stable business development. The Group has established a comprehensive and complete risk management and internal control system. The system is monitored by the Board and is regularly reviewed by the Risk Management Committee and the Audit Committee to ensure its effectiveness. The Group ensures the operations comply with relevant laws and regulations through a comprehensive internal control mechanism and systematic procedures, including inspecting clients' access standards and assessing environmental performance of clients on a regular basis.

HRIF strives to comply with laws and regulations throughout its daily operation, and spares no effort to fulfil relevant laws and regulations which significantly affects its business operations.

During the period, the Group strictly complied with the following (including but not limited to) laws and regulations that have a significant impact on its operations. Furthermore, there were no cases of noncompliance with relevant laws and 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
Health and Safety	Occupational Safety and Health Ordinance
Product Responsibility	Trade Descriptions 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

Stakeholder Engagement

HRIF strives to balance the interests of every stakeholder, actively understanding the impacts on stakeholders by the Group's business on sustainability issues, and carefully taking their comments into consideration when making operational decisions. The Group formulates its Corporate Social Responsibility Policy to ensure fair and timely information is provided to stakeholders, where their opinions are collected in a proactive and open manner. The Group establishes diverse and open channels to maintain communications with stakeholders such as employees, clients, investors, suppliers, regulatory authorities, and community groups. The Group comprehends their opinions and suggestions, which then allow the Group to evaluate the potential risks and opportunities in sustainability aspects, to prioritise each issue, and to initiate corresponding policies and measures.

Stakeholders	Expectations	Communication Approach
Employees	• Employees' rights and interests • Occupational health • Occupational training • Fulfilling corporate social responsibility	• Keep track of the Group's latest trend through the intranet, such as news publications, internal notices and regulations • Express opinions through performance evaluation, staff meetings, social media, and the employee whistleblowing mechanism
Clients	• Product safety • Customer service • Product innovation • Information security	• Employees must acknowledge the clients' investment experiences and targets according to formulated procedure and guidance, and inform them of potential risks involved when conducting businesses • Follow up on the Group's latest development through the Group's website and publications
Regulators	• Law abidance • Operational compliance • Paying tax according to law	• Pay close attention to information published by regulatory authorities including the Stock Exchange and the SFC • Disclose the Group's operational data, important trades, and insider information to assure information transparency

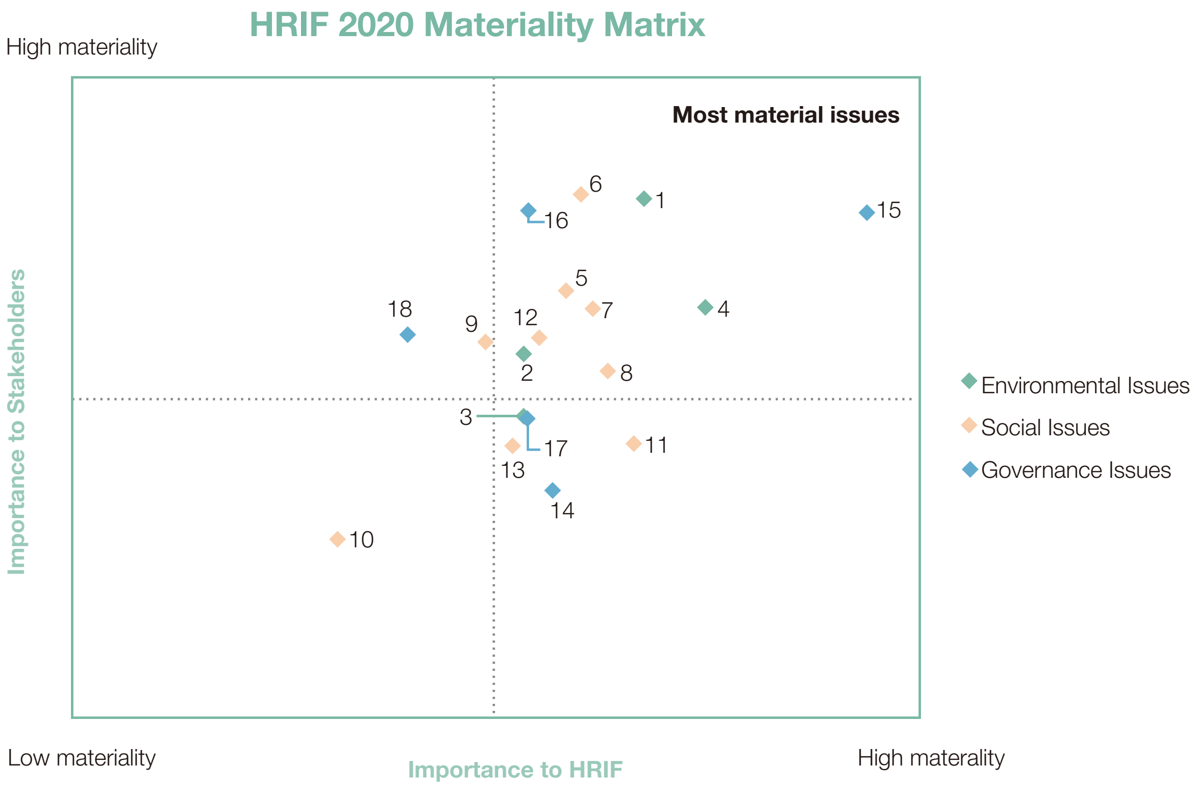
Stakeholders	Expectations	Communication Approach
Investors	• Corporate governance • Performance improvement • Information disclosure	• Provide information to investors through annual general meetings, notices, financial reports and circular letters
Suppliers	• Win-win cooperation • Fairness and justness	• Clarify the Group's standards and requirements to suppliers as regular guidance • Regularly evaluate the performance of suppliers to understand their performance and opinions
Community Groups	• Social and public welfare • Harmonious development	• Participate in voluntary work and fund-raising events and serve the people in need within the community

Materiality Assessment

To review operational environment and analyse stakeholders' views more systematically, HRIF commissioned a professional sustainability consultancy to conduct a stakeholder survey and materiality assessment during the period. This is to identify the material ESG issues from the aspects of stakeholders and the Group's operations and to assure the issues align with the Group's principles towards sustainable management approaches. The Board, senior management, employees, shareholders, investors, and clients were invited to participate in the survey, evaluating the materiality of various environmental and social issues and providing opinions.

Identify relevant issues	Identify ESG issues related to the Group's business according to the Group's ESG issues identified from previous years, Hong Kong and international reporting standards, and peers' concerned issues.
Gather feedback from stakeholders	Invite stakeholders, including the Board, senior management, employees, shareholders, investors and clients to conduct an online survey to assess the materiality of each ESG issue.
Materiality assessment and issues prioritization	Comprehensively assess the materiality of every ESG issue according to its importance to the stakeholders and the Group, and generate a materiality matrix. Material issues that required prioritization are identified by determining and selecting issues that scored half or above in both dimensions of "importance to HRIF" and "importance to stakeholders".
Validate material issues	The Board reviews the materials issues identified and the Group discloses the material issues in the report accordingly.

The Group analysed the survey results according to the dimensions of "importance to HRIF" and "importance to stakeholders", and generated a materiality matrix, thereby identifying 10 material issues from the materiality matrix which are significant to both stakeholders and the Group.[1]



[1] The bolded issues in the table are the material issues.

Environmental	Social	Governance
1. Resource saving **2. Emission of greenhouse gases and other air pollutants** 3. Waste management **4. Green office**	**5. Employees' benefits and welfare** **6. Employees' health and safety** **7. Employees' training and development** **8. Labour standards** 9. Diversity and equal opportunities 10. Supply chain management 11. Consumer privacy and information security **12. Service quality and customer satisfaction management** 13. Responsible marketing and advertising	14. Responsible governance **15. Operational compliance** **16. Internal control and risk management** 17. Responsible investment 18. Anti-corruption

In response to the concerns of stakeholders, the Group will report the policies, measures, and performance related to the material issues during the period in detail. Nonetheless, the Group will review management policies in relation to the material issues in the future and carry out adjustments accordingly to meet stakeholders' expectations.

Safeguarding Employees' Rights and Benefits

Following a people-oriented mindset, HRIF is keen on building an equal and trusting relationship with its employees and provides them with an inclusive and diverse working environment. The Group's Employee Handbook stipulates its commitments to employees, which firmly assures their labour rights and interests, allowing employees to develop their potentials freely as well as supporting their team towards advancement.

Employee Management and Labour Standards

The Group has established the following series of policies and management measures related to recruitment, dismissal, remuneration, welfare, promotion, anti-discrimination, equal opportunities, diversity, and prevention of child labour and forced labour. In accordance with relevant policies and management measures, the Group implements various measures to ensure the most comprehensive protection for employees' rights and interests. Employees are free to consult the relevant policies and management measures to understand their rights, benefits and responsibilities.

Aspects	The Group's employment and labour system
Recruitment and dismissal	The Group formulates recruitment management procedures, standardises work and guidelines for job applicant interview arrangements and comprehensive ability assessments. Recruited employees must sign an employment contract, which prescribes arrangements for the probation period and termination of the contract to ensure both parties are clear about their rights, benefits and responsibilities. Nonetheless, the Group undertakes dismissal procedures according to the Employment Ordinance, employment contract, and internal dismissal-related regulations to protect the rights and benefits of both parties. During the period, the Group reviewed the employee grading system and established a "Triple Fixed" system, emphasising the management of fixed posts, fixed grades, and fixed duties, to improve the efficiency in human resource management. • Fixed posts: Identify and allocate the roles needed to avoid duties from overlapping • Fixed grades: Determine the number of employees from each grade to ensure it aligns with the Group's human resources management approach • Fixed duties: Identify the duties of each role to clarify the division of labour between employees The Group will routinely review the effectiveness of the measure to improve the human resource system and to provide employees a greater work environment.

Aspects	The Group's employment and labour system
Remuneration, working hours and welfare	The Group has a remuneration structure and related management systems. Employees' remuneration and benefit policies are formulated with reference to market standards and individual performance. The Employee Handbook states the working hours and leaves system of general and full-time employees (including employees of branches and securities support departments). In addition to statutory holidays, all employees can enjoy extra paid annual leave, wedding leave and other holidays according to their rank and service years. In addition, the Group's Remuneration Management Methods regulates arrangements for remuneration, employee performance and bonus distribution. In addition to the existing transport allowance, hot weather allowance, festive welfare and other benefits, the Group raised its labour protection allowance to protect employees' wellbeing.
Promotion	The Group focuses on employee development and adopts a grading system to enable employee promotion based on their capabilities. Furthermore, the Group formulates assessment management measures every year to comprehensively evaluate performance of employees. The Group conducts employee assessments to promote employees who can fulfil the business development requirements of the Group.
Training	The Group established the Staff Training Management Methods to ensure employees obtain appropriate training on time. The Group formulates a series of training schemes according to the needs from respective departments, whilst employees from other departments can also participate in according to their career plans and needs of the position. During the period, the average training hours per employee was 13.5 hours. For further details of the training hours, please refer to the "Social Performance" section of the report.
Equal opportunities	The Group values equal opportunities, hence the Group earnestly implements the equal pay system for equal work, and regularly inspects the Group's performance and effectiveness on related fields. During the period, the Group inspected and refined the remuneration management mechanism and achieved the equal pay for equal work system.

Aspects	The Group's employment and labour system
Diversity	The Group endeavours to provide a diverse work environment for employees with different genders, cultures, and backgrounds, respecting and understanding the needs of employees from different backgrounds. The Group will continue to provide a diverse work environment for employees.
Anti-discrimination	The Group will not discriminate against employees' gender, age, nationality, race, skin colour, religion, physique, illness, mental or physical disability, family status, family composition, sexual orientation, political stance, or social status. The Group has disclosed the legal definition of and handling procedures for sexual harassment in the Employee Handbook. The Group has also established a whistleblowing policy to allow employees to report any suspected misconduct.
Prevention of child labour and forced labour	The Group adopts a zero-tolerance policy towards child labour and forced labour, and has formulated internal handling procedures according to relevant laws and regulations to ensure the human resources department verifies applicants' identification documents and other records to verify their age, preventing from unknowingly employing child labour. The Group signs employment contracts with all employees, which clearly state the employment terms, to ensure employees are employed according to their will. In addition, the Employee Handbook states employees' working hours, including overtime arrangements. The Group has formulated a recruitment procedure and the Employee Handbook, thereby the risks of the misemployment of child labour or forced labour are extremely low. The Group will ceaselessly review the human resource management system to ensure the effectiveness of the existing measures.

To further refine the human resource management system, the Group developed the HRIF Wage Management Policy and the HRIF Office Disciplinary Management Policy. Furthermore, the Group actively improves information management through applying electronic information systems to handle employee work assessment procedures, salary management and annual tax documents, thereby improving employees' work efficiency, ensuring information accuracy, and protecting employees' personal data.

Employees' Development and Training

HRIF considers its employees as the most valuable asset, therefore the Group constantly devotes resources and actively improves its training mechanisms to provide diversified occupational training, thus meeting the development needs of employees and the Group. The Group arranges training programmes according to its operation status and the needs of its employees in accordance with the Staff Training Management Methods. This includes employee orientation for new hires and professional training and management training for on-the-job employees. To further advocate employees to engage in self-enhancement, the Group provides study allowances to employees to encourage them to actively enroll in degree programmes and various professional qualification training to obtain professional qualifications.

To foster the abilities of employees and to support their career development, the Group actively coordinates with departments, and invites the Group's independent directors and other internal and external professionals to host a series of training and lectures around the topics covering business, law, compliance, finance, risk management, corporate governance, and information technology. During the period, the Group organised the "Elite Leadership" special programme which lasted for three months. Adhering to the concept of "compliance and adherence, stableness and eagerness", the Group held training courses around licensing business, internal control, and compliance. During the period, the Group's employees have received a total of 729 hours of training, with average training hours of 13.5 hours per employee.

Compliance Training	• Conducted compliance training for new hires • Introduced the manager-in-charge regime and offered training on license application procedures
Information Security Training	• Organised information security training for new hires • Explained the precautions for the information security of licenced listed companies
Anti-corruption and Anti-fraud Training	• Held annual thematic training on corruption-free office • Arranged employees to participate in anti-money laundering training • Organised training on combating money laundering and terrorist financing
Corporate Governance Training	• Provided training to all employees on the classification of disclosable transactions and disclosure requirements for listed companies • Organised training on topics including risk management, position limits and large open positions declaration, and the China Connect Central Gateway
Other training	• Provided training on total budget management and accounting treatment of financial products • Organised training on margin financing businesses and offshore bond underwriting services

Safeguarding Employees' Health and Safety

Employees' physical and mental health and safety are the cornerstones of the stable development for HRIF. The Group has established the Employee Handbook and the Corporate Social Responsibility Policy, earnestly fulfilling the stipulated commitments on employees' health and safety. The office of the Group is equipped with high quality and safe amenities, with the addition of a first-aid box and emergency supplies within the office. Furthermore, the Group commissions dedicated personnel to clean and disinfect the office every day to maintain hygiene in the working environment, and has installed air purifiers in the office to improve indoor air quality. To further safeguard the health of employees, the Group has purchased medical and life insurance for its employees.

During the COVID-19 pandemic in 2020, the Group took a series of safety precautions to protect employee's health and safety, thus reducing the risks of infection:

- Provided face masks to employees every day, and distributed disinfectants regularly during the pandemic
- Arranged work shifts and allowed employees to work from home and participate in remote meetings in the case of a confirmed case(s) within their residential building
- Strictly required employees within the office to wear face masks and eliminate unessential outings
- Provided hand sanitiser and disinfectant sprays within the office for employees, and increased the frequency of office public areas' disinfection to reduce the chances of virus transmissions
- Registration and compulsory body temperatures measurements for visitors

The Group values the mental health of employees, hence the Group encourages employees to achieve work-life balance through offering recreational activities, allowing employees to physically and mentally alleviate during non-working hours. HRIF will take the initiative to recognise the needs of employees to offer them the help and support they need on time.

Dedicating in Operation Compliance

HRIF understands the importance of responsible operation as a financial service provider. The Group takes rigorous business ethics standard as the first principle, and requires every employee to treat clients, suppliers and other stakeholders with integrity, respect, and professionalism. To ensure the quality of the products and services provided by the Group and the integrity of its employees, HRIF has formulated a series of policies to maintain a fair and just market environment.

Anti-corruption

HRIF adopts a zero-tolerance policy towards corruption and fraud, strives to achieve the highest standard of openness, integrity, and accountability, and actively takes measures to identify and manage related risks. The Group has stipulated the following series of policies and guidelines on preventing bribery, extortion, fraud, and money laundering in accordance with relevant local laws and regulations where it operates and requires various departments and business partners to avoid any misconduct. During the period, the Group and its employees did not involve in any lawsuits of violation of the laws and regulations related to corruption.

- All employees of the Group must follow and abide by the basic standards and measures relating to prevention, identification, and handling of any actual or suspected cases of bribery or corruption according to the Accepting or Offering Gifts and Benefits Guidelines.

- The Group has formulated the Employee Handbook, which stipulates that employees must abide by the basic disciplinary standards to avoid the conflict of interests. In any situations where conflict of interest may arise, the employee should notify the Company's directors in writing with the "Application for Gift-Giving Form".

- The Group has formulated the Internal Procedures on Prevention of Money Laundering and Terrorist Financing, which offers guidance on preventing money laundering when servicing clients, covering guidelines on record keeping and training. During the period, the Group provided training sessions on anti-money laundering and anti-corruption for employees and directors, with 90 participants taking part in the trainings.

- The Group has formulated the Whistleblowing Policy to encourage stakeholders such as employees, clients, suppliers and shareholders to report any misconduct or fraud involving the Group. The whistleblower may make a report through face-to-face meetings, phone calls, letters, reporting mailboxes or emails. The Audit Committee of the Board is responsible for supervising and reviewing the implementation of the reporting mechanism, and provides suggestions regarding investigation procedures of any reports.

Supply Chain Management

The Group believes a comprehensive supply chain management is vital to maintaining product and service quality and promoting the sustainable development of the Group. The Group has formulated the Procurement Management Methods to stipulate procurement principles and procurement approaches, as well as to provide clear requirements and guidelines to suppliers.

The Procurement Department establishes a reasonable procurement approach through methods such as bidding, requesting for quotations and targeted purchase according to market supplies and procurement plan. In the case of bulk buying, relevant departments will decide if bidding is to be practised according to the circumstances of the procurement. All biddings should have a reasonable scope, standard, procedure, and assessing criterion, to assure the process of selecting suppliers complies with the laws and regulations and minimise potential social and environmental risks within the supply chain.

To reassure the service and product quality of suppliers, annual performance evaluations and inspections on the conflict of interests will be conducted to suppliers by the Group. Partnerships will be terminated if the suppliers failed to meet the Group's requirements.

During the period, the Group has 28 suppliers from Hong Kong providing services including maintenance, office supplies, and office equipment.

Product Responsibility

HRIF holds a stance on maintaining high integrity and professional ethics, safeguards customer privacy, and ensures the quality of products and services. The Employee Handbook stipulates how the Group values the importance of personal privacy, and the Compliance Manual has been formulated to set out clear procedures and guidelines on the collection and processing of clients' personal data. To safeguard customer privacy, agreements signed between the Group and clients have clearly set out terms and conditions regarding to information security and confidentiality of personal data, to reassure clients' acknowledgement on the collection of personal data and the Group's duty of confidentiality. During the period, HRIF did not receive cases of noncompliance relating to the safety, advertising, labelling and leakage of clients' privacy of the products and services provided.

The Group requires employees to strictly comply with regulations when conducting regulated financial businesses, and to abide by the Code of Conduct for Persons Licenced by or Registered with the SFC. Market misconducts such as insider trading, false trading, and price manipulation are prohibited. To ensure that employees fully understand relevant regulatory requirements, the Group has developed the Compliance Manual to guide employees in sales and promotional activities, forbidding employees from providing clients with false, deceptive, or misleading information to ensure delivery of complaint and professional services to all clients. During the period, the Group provided employees with trainings on employees' responsibilities and marketing techniques to reinforce their understanding and practice of responsible marketing.

HRIF is committed to maintaining the quality of its products and services, and values clients' opinions and suggestions as the cornerstone for the continuous improvement of the Group. The Group provides clients with complaint channels, and records and handles complaints received in a timely and proper manner in accordance with the Compliance Manual. During the period, HRIF did not receive any complaints about the compliance or service quality of products and services.

Community Investment

As a responsible enterprise, HRIF has been committed to contributing to the community whilst developing business throughout the years, expressing care towards society with practical actions. The Group has formulated the Corporate Social Responsibility Policy and pledges to devote commitments towards society. Apart from continuously taking action on targeted poverty alleviation through organising relief work at deprived areas, the Group encourages employees to proactively participate in volunteering services and fund-raising events to contribute to the social groupings around their living place and workplace. The Group will pursue on showing solicitude on the needs of operating areas, thoroughly understand the needs of communities and deliver positivity and kindness to the people in need, promoting sustainable development of the society.

Sustainable Environmental Management

HRIF adheres to fulfil corporate social responsibility and spares no effort to promote sustainable development through minimising impacts from business operations on the environment, natural resources, and climate change. In terms of office operations, the Group has formulated the Environmental Policy with reference to the Statement of Commitment by Financial Institutions on Sustainable Development of the United Nations Environment Programme to ensure the impacts on the environment and natural resources are minimised as much as possible. In addition, the Group also pays attention to the positive and negative impacts as a financial institution through funding and resource allocation, and has established strict access restrictions to manage relevant investments on corporate and industry that may lead to severe pollution or have negative impacts on social development.

To continuously refine the Group's environmental management mechanism, the Group accurately records and reports environmental data on a regular basis to allow each unit to review the effectiveness of their existing environmental management measures, which enables further discussion and formulation of improvements.

Carbon Emissions	•	Commission professional sustainability consultants to conduct carbon assessment, and quantify the amount of greenhouse gas emissions produced during operations[2]
	•	The Group will continue to assess, record, and disclose annually its greenhouse gas emissions and other environmental data, and to review the effectiveness of existing measures to facilitate the development of carbon reduction targets and work plans in the future
Energy	•	Install lighting control sensors at offices and use LED energy saving light bulbs
	•	Encourage employees to carry out conference calls or video conferences to reduce business travels
	•	Promote green travelling and encourage carpooling
Water Saving	•	Promote water saving towards employees to raise their environmental awareness
Waste Reduction	•	Advocate paperless office and encourage double-sided printing to reduce paper consumption
	•	Reduce waste by recycling, reducing, or reusing whenever possible

Energy Use, Greenhouse Gas and Other Air Pollution Emissions

As a financial business corporate, the main source of carbon emissions from HRIF would be electricity consumption in offices and business travels. During the period, the Group has relocated to a new location with larger office space, thereby causing greater levels of emissions and energy consumption than those of previous years. Still, the Group continued reinforcing and improving measures on energy saving and emission reduction. To reduce emissions generated by energy consumption, the Group installed lighting control sensors, which detect motion within the office premises and automatically switch off the lights within unoccupied office spaces. Additionally, LED energy saving light bulbs are applied in the office for higher energy efficiencies. Computers and lighting systems are switched off during non-office hours, whilst the air conditioning systems are constantly maintained at 25 degrees Celsius during their operation, to reduce greenhouse gas emissions through reducing the excessive use of energy.

Furthermore, the Group promotes green travel by encouraging employees to reduce business travels where possible. The Group has established the Vehicle and Driver Management Regulation, which requires employees to apply in advance and to get approval before operating company vehicles. Additionally, employees in charge of delivering documents are required to take public transport to reduce emissions generated from vehicles.

2 The quantitative data are calculated according to the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings in Hong Kong by the Environmental Protection Department and the Electrical and Mechanical Services department of Hong Kong.

Resource Usage and Waste Management

The Group takes saving and using energy reasonably as targets and proactively initiates various measures to reduce resource use, encourages recycling, and diminish waste. The Group has expanded the span of waste recording to all operating units to inspect its environmental performance more comprehensively, enabling a systematic assessment to be carried out to evaluate the data and the effectiveness of measures by year and by business units.

The Group's major source of waste comes from office waste. The Group has implemented recycling schemes in the office for the recycling of waste paper, batteries, and plastic bottles, and plans to quantify and report the recycling results in the future to review the effectiveness of the measures. To ensure wastes are disposed properly, the Group has commissioned the property management company to collect and dispose of non-hazardous wastes from the offices in a unified way, whilst qualified recyclers have been hired to dispose of hazardous wastes including used toner cartridges and used batteries.

Based on the business nature of the Group, paper is one of the major resource consumptions. Apart from promoting a paperless office, HRIF has expanded its service channels and promoted electronic transactions to allow customers to use the Group's services through the internet, mobile terminals, telephones, and network terminals to reduce the consumption of paper, as well as to increase business efficiency.

As the water sources of the Group's operation locations are under unified control of property management companies, the Group does not have any issues in sourcing water. The Group makes the utmost efforts to reduce water usage during its business operations and to improve water usage efficiency. To raise employees' awareness towards water saving, the Group displays notices around the office to promote water saving. Additionally, the Group appoints professionals to carry out maintenance for water appliances, preventing the waste of water resources.

Key Performance Indicator Overview

Environmental Performance[3]

Air Emissions[4]	2020	Emissions 2019	2018
Nitrogen Oxides (Kilograms)	**3.11**	2.65	3.20
Sulphur Oxides (Kilograms)	**0.10**	0.08	0.22
Particulate Matter (PM2.5) (Kilograms)[5]	**0.07**	–	–

Greenhouse Gas Emissions	Emission Source		2020		Emissions 2019		2018
Scope 1 – Direct greenhouse gas emissions (tonnes of CO_2 equivalent)	Fossil fuel combustion – mobile source[6]		**18**		14		41
	Fugitive emissions[7]		**0**		3		–
Scope 2 – Energy: indirect greenhouse gas emissions (tonnes of CO_2 equivalent)	Purchased electricity[8]		**236**		166		180
Scope 3 – Other indirect greenhouse gas emissions (tonnes of CO_2 equivalent)[9]	Waste paper disposed[10]	**6**	**6**	19	45	23	96
	Business air travels[11]	**0**		26		73	
Greenhouse gas emissions in total (tonnes of CO_2 equivalent)			**260**		228		317
Greenhouse Gas Intensity (tonnes of CO_2 equivalent/1,000 square foot floor area)			**5**		8		11
Greenhouse gas intensity (tonnes of CO_2 equivalent/employee)			**4.81**		3.26		3.75

3 The increase in the levels of emissions and energy consumption are due to the increase in office area during this year. The Group will pursue in reinforcing and refining measures on energy saving and reducing emissions, to fulfil its corporate social responsibilities.

4 The source of air emissions is from the vehicles possessed by the Group. For specific calculation methods, please refer to the Reporting Guidance on Environmental KPIs published by the Stock Exchange.

5 Particulate Matter (PM2.5) are calculated and disclosed for this year.

6 Direct greenhouse gas emissions from mobile source originates from the vehicles possessed by the Group. For specific calculation methods, please refer to the Reporting Guidance on Environmental KPIs published by the Stock Exchange.

7 The source of fugitive emissions originates from replacing FM200 fire suppression systems from the Group's computer server room.

8 Indirect greenhouse gas emissions from purchased electricity originates from electricity purchased by the Group. For specific calculation methods, please refer to 2019 Emission Factor issued by Power Assets Holdings Limited.

9 Since individual water meters were not installed in the Head Office, the Sheung Wan branch, and the Mong Kok branch, their respective property management companies were unable to provide corresponding data. Hence indirect greenhouse gas emissions from freshwater consumption and sewage discharge will no longer be disclosed.

10 Indirect greenhouse gas emissions from the disposal of waste paper originates from the greenhouse gases emitted during the process of disposing waste paper in landfills. For specific calculation methods, please refer to the corresponding emission factor from the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings in Hong Kong.

11 Since business travels did not take place during the period, there are no corresponding data.

Non-hazardous Waste	Generation 2020	2019	2018
Total domestic waste (tonnes)	**12**	11.3	0.15
Total paper waste (tonnes)[12]	**6.3**	–	–
Non-hazardous waste intensity (tonnes/1,000 square foot floor area)	**0.368**	0.383	0.029
Non-hazardous waste intensity (tonnes/employee)	**0.339**	0.161	0.002

Hazardous Waste	Generation 2020	2019	2018
Batteries (units)	**60**	–	–
Intensity (units/employee)	**1.11**		
Ink cartridges (units)	**5**	–	–
Intensity (units/employee)	**0.09**	–	–

Energy Use	Consumption 2020	2019	2018
Petrol (kWh in '000s)	**65**	49	138
Purchased electricity (kWh in '000s)	**310**	220	238
Total energy consumption (kWh in '000s)	**375**	269	376
Energy intensity (kWh in '000s/1,000 square foot floor area)	**7.54**	9.44	13.05
Energy intensity (kWh in '000s/employee)	**6.94**	3.84	4.32

12 This indicator was added during the period. Paper waste was not included into the reporting scope of total amount of non-hazardous waste in 2018 and 2019.

Social Performance

Total Workforce		2020	2019	2018
Number of employees (employees)		**54**	70	87
Male to female ratio		**1:1**	1.06:1	0.98:1
By gender	Male (employees)	**27**	36	43
	Female (employees)	**27**	34	44
By age group	Below 30 (employees)	**10**	12	18
	30–50 (employees)	**36**	45	58
	Over 50 (employees)	**8**	13	11
By employee category	Senior managerial level (employees)	**5**	5	5
	General staff (employees)	**49**	65	82
By employment category	Full-time (employees)	**54**	70	87
	Part-time (employees)	**0**	0	0

Number of new employees		2020	2019	2018
Total number of new employees		**17**	18	16
New employee rate		**31%**	26%	18%
By gender	Male (employees)	**8**	11	7
	Female (employees)	**9**	7	9
By age group	Below 30 (employees)	**6**	2	5
	30–50 (employees)	**10**	15	10
	Over 50 (employees)	**1**	1	1

Employee Turnover		2020	2019	2018
Total employee turnover		**33**	35	71
Employee turnover rate[13]		**61%**	50%	82%
By gender	Male (employees)	**17**	17	45
	Female (employees)	**16**	18	26
By age group	Below 30 (employees)	**6**	7	18
	30–50 (employees)	**21**	25	45
	Over 50 (employees)	**6**	3	8

13 Employee turnover rate is calculated according to employee turnover/total number of employees during the period. The 2018 data has been revised accordingly, please refer to this data for valid results.

Occupational Health and Safety	**2020**	2019	2018
Number of work-related fatalities	**0**	0	0
Number of work injury (employees)	**0**	0	0
Lost days of work due to work injury	**0**	0	0

Employee Training		**2020**
Total number of employees received training		**54**
By gender	Male (employees)	**27**
	Male rate	**50%**
	Female (employees)	**27**
	Female rate	**50%**
By employee category	Senior managerial level (employees)	**5**
	Senior managerial level rate	**9%**
	General staff (employees)	**49**
	General staff rate	**91%**
Total hours of training received (hours)		**729**
By gender	Male (hours)	**364.5**
	Average training hours for male (hours)	**13.5**
	Female (hours)	**364.5**
	Average training hours for female (hours)	**13.5**
By employment category	Senior managerial level (hours)	**67.5**
	Average training hours for senior managerial level (hours)	**13.5**
	General staff (hours)	**661.5**
	Average training hours for general staff (hours)	**13.5**
Percentage of employees trained		**100%**
Average training hours (hours)		**13.5**

ESG Reporting Guideline Content Index

Subject Areas, Aspects, General Disclosures and KPIs		Relevant Section(s) in the report/Remark
A. Environmental		
Aspect 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.	Risk Management, Sustainable Environmental Management
KPI A1.1	The types of emissions and respective emissions data	Environmental Performance
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Performance
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Performance
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Performance
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Sustainable Environmental Management
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Resource Usage and Waste Management

Subject Areas, Aspects, General Disclosures and KPIs		Relevant Section(s) in the report/Remark
Aspect A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Sustainable Environmental Management
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Environmental Performance
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Since the operating locations of the Group are managed under property management companies, individual water meters were not installed and hence relevant data was not collected.
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Sustainable Environmental Management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Sustainable Environmental Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not relevant to the Group's nature of business
Aspect A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Sustainable Environmental Management
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Sustainable Environmental Management

Subject Areas, Aspects, General Disclosures and KPIs		Relevant Section(s) in the report/Remark
B. Social		
Aspect B1 Employment		
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 compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Risk Management, Employee Management and Labour Standards
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Social Performance
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Social Performance
Aspect B2 Health and Safety		
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 providing a safe working environment and protecting employees from occupational hazards.	Risk Management, Safeguarding Employees' Health and Safety
KPI B2.1	Number and rate of work-related fatalities.	Social Performance
KPI B2.2	Lost days due to work injury.	Social Performance
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Safeguarding Employees' Health and Safety
Aspect B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Employee Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Social Performance
KPI B3.2	The average training hours completed per employee by gender and employee category.	Social Performance

Subject Areas, Aspects, General Disclosures and KPIs		Relevant Section(s) in the report/Remark
Aspect B4 Labour Standards		
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 preventing child and forced labour.	Risk Management, Employee Management and Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Employee Management and Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Employee Management and Labour Standards
Operating Practices		
Aspect B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management
Aspect B6 Product Responsibility		
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 health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Risk Management, Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not relevant to the Group's nature of business
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	The Group will consider disclosing relevant information in the future
KPI B6.4	Description of quality assurance process and recall procedures.	Not relevant to the Group's nature of business
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility

Subject Areas, Aspects, General Disclosures and KPIs		Relevant Section(s) in the report/Remark
Aspect B7 Anti-corruption		
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 bribery, extortion, fraud and money laundering.	Risk Management, Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption
Aspect B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	The Group is planning to disclose relevant information in the following year
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	The Group is planning to disclose relevant information in the following year

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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 106 to 251, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 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 and advances to customers in margin financing</td></tr>
<tr><td>As at 31 December 2020, (i) financial assets at fair value through other comprehensive income have gross carrying amount of approximately HK$2,551 million and impairment loss of approximately HK$223 million, (ii) finance lease receivables have gross carrying amount of approximately HK$1,389 million and impairment loss of approximately HK$394 million, (iii) other loans and debt instruments have gross carrying amount of approximately HK$6,118 million and impairment loss of approximately HK$3,007 million, (iv) amount due from an associate has gross carrying amount of approximately HK$328 million and impairment loss of approximately HK$328 million, and (v) advances to customers in margin financing have gross carrying amount of approximately HK$914 million and impairment loss of approximately HK$824 million.

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 and advances to customers in margin financing 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 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 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.</td><td>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 staging criteria applied by management, and assessed the Group's impairment provisioning policy against the requirements of HKFRS 9.

• Tested the Group's determination of significant increase in credit risk and the basis for classification of exposures into the 3 stages, on a sample basis. Tested key indicators of significant increase in credit risk including assessing loan overdue information, loan-to-value percentage or other related indicators of increase in credit risk.

For the assessment of impairment allowance of financial assets at fair value through other comprehensive income, finance lease receivables, other loans and debt instruments, amount due from an associate and advances to customers in margin financing, which are classified as stage 1 and 2 and measured using ECL model as of 31 December 2020, we:

• Evaluated, together with our valuation specialists, the ECL model and the assumptions and parameters in establishing the forward looking factors, including 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.</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 and advances to customers in margin financing (continued)	
The quantitative and qualitative information and forward-looking analysis of the Group assessment can be found in notes 18–22, and note 46 to the consolidated financial statements.	For the assessment of impairment allowance of finance lease receivables, other loans and debt instruments, amount due from an associate and advances to customers in margin financing, which are classified as stage 3 as of 31 December 2020, we: • Assessed management's key estimates and assumptions used in the individual impairment assessment. • Critically evaluated management's assessment on the recoverability of the finance lease receivables, other loans and debt instruments, amount due from an associate and advances to customers in margin financing against our understanding of the circumstances, industry knowledge, and the effects of the COVID-19 pandemic. • Verified the existence of collateral, where applicable, against the supporting documents. • Examined 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 methodology, assumptions and judgements used by management; – Evaluated the appropriateness of the key inputs used in the valuation by independently checking to the external data.

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 and advances to customers in margin financing (continued)	
	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 2020, 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 calculation by evaluating the assumptions and judgments used by management, and, where applicable, independently checking to the external data, such as recovery rates from market sources. Reviewed the adequacy of the related disclosures in the notes 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">Valuation of Level 3 financial instruments</td></tr>
<tr><td>As at 31 December 2020, the Group's financial assets measured at fair value and categorised within Level 3 amounted to HK$2,746 million, representing 34% of the Group's financial assets measured at fair value.

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 disclosure is included in notes 17, 18 and 45 to the consolidated financial statements.</td><td>The procedures we performed to address the key audit matter included, amongst others:

• Performed 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 put options and 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.

• Performed testing of the significant unobservable inputs such as volatility used in the valuation models, by evaluating the assumptions used by management and, where applicable, independently checking to the external data.

• Evaluated the key inputs by independently checking them to observable market information, when available.

• Evaluated the counterparties' financial ability to settle the contracts, including assessing the fair value of the relevant collaterals, as applicable.</td></tr>
</table>

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 fund investments with the assistance of our valuation specialists, where relevant, 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. • Performed testing of the significant unobservable inputs used in the valuation models by evaluating management's assumptions and, where applicable, checking to the external data. • Evaluated the key inputs by independently checking them to observable market information and historical financial information of the relevant investments, where available. Reviewed the adequacy of the related disclosures in the note to the consolidated financial statements against the requirements of HKFRS.

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.

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

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.

- 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.

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

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 August 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	2020 HK$'000	2019 (Restated) HK$'000
CONTINUING OPERATIONS			
REVENUE			
Commission and fee income	5	**27,974**	172,977
Interest income	5		
Interest income calculated using the effective interest method		**516,992**	1,085,252
Others		**251,838**	746,021
Investment income	5	**44,204**	174,129
		841,008	2,178,379
Net loss on financial assets at fair value through profit or loss		**(312,516)**	(225,236)
Net loss arising from disposal of financial assets at fair value through other comprehensive income		**(14,184)**	(18,715)
Other income and gains or losses, net		**(4,209)**	(37,379)
Brokerage and commission expenses		**(14,844)**	(8,839)
Administrative and other operating expenses		**(263,934)**	(685,917)
Impairment losses, net		**(2,207,772)**	(2,579,026)
Finance costs	6	**(687,714)**	(1,592,600)
Share of result of associates	21	**–**	14,327
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	7	**(2,664,165)**	(2,955,006)
Income tax expense	10	**(22,075)**	(8,824)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(2,686,240)**	(2,963,830)
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation	40	**–**	277,037
LOSS FOR THE YEAR		**(2,686,240)**	(2,686,793)
Attributable to:			
Equity holders of the Company		**(2,786,174)**	(2,330,839)
Holder of perpetual capital securities		**111,403**	66,025
Non-controlling interests		**(11,469)**	(421,979)
		(2,686,240)	(2,686,793)
BASIC LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
– For loss for the year	12	**HK42.5 cents**	HK37.6 cents
– For loss from continuing operations	12	**HK42.5 cents**	HK39.9 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 HK$'000	2019 (Restated) HK$'000
LOSS FOR THE YEAR	**(2,686,240)**	(2,686,793)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequently periods:		
Fair value (loss)/gain on financial assets at fair value through other comprehensive income	**(76,476)**	52,410
Net provision for impairment of financial assets at fair value through other comprehensive income included in profit or loss	**102,084**	99,635
Reclassification adjustments relating to disposal of financial assets at fair value through other comprehensive income during the year	**14,184**	18,715
Exchange differences on translation of foreign operations	**(20,883)**	(4,839)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**18,909**	165,921
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(2,667,331)**	(2,520,872)
Attributable to:		
Equity holders of the Company	**(2,757,884)**	(2,163,181)
Holder of perpetual capital securities	**111,403**	66,025
Non-controlling interests	**(20,850)**	(423,716)
	(2,667,331)	(2,520,872)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	**31 December 2020 HK$'000**	31 December 2019 (Restated) HK$'000	1 January 2019 (Restated) HK$'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	**24,369**	35,431	80,202
Other long term assets	14	**5,081**	4,242	4,327
Intangible assets	15	**4,190**	4,190	285,108
Right-of-use assets	16	**128,836**	233,874	358,553
Financial assets at fair value through profit or loss	17	**1,789,810**	2,260,466	3,465,816
Financial assets at fair value through other comprehensive income	18	**1,591,337**	2,055,607	2,716,175
Finance lease receivables	19	**463,933**	479,206	979,897
Other loans and debt instruments	20	**1,313,915**	–	1,559,722
Investments accounted for using the equity method	21	**–**	–	36,694
Amount due from an associate	21	**–**	314,262	318,838
Deferred tax assets	25	**52,232**	52,232	110,990
Prepayments, deposits and other receivables	24	**20,937**	21,500	38,773
Total non-current assets		**5,394,640**	5,461,010	9,955,095
CURRENT ASSETS				
Advances to customers in margin financing	22	**90,183**	2,883,671	4,072,424
Accounts receivable	23	**164,884**	113,321	160,347
Prepayments, deposits and other receivables	24	**145,658**	157,444	557,332
Financial assets at fair value through profit or loss	17	**3,715,676**	5,281,450	16,641,503
Financial assets at fair value through other comprehensive income	18	**960,124**	1,911,824	2,908,508
Finance lease receivables	19	**531,634**	526,362	463,704
Other loans and debt instruments	20	**1,796,813**	2,057,565	7,548,643
Amount due from an associate	21	**–**	1,927	1,720
Amounts due from related parties	26, 43	**3,825**	1,838	3,268
Tax recoverable		**61,245**	60,735	71,392
Restricted bank balances	27	**380,295**	389,202	396,500
Deposits in other financial institutions	28	**16,921**	89,957	139,749
Pledged bank deposit	29	**13,000**	–	–
Cash and cash equivalents	29	**1,720,306**	3,997,190	3,140,752
Total current assets		**9,600,564**	17,472,486	36,105,842

	Notes	**31 December 2020 HK$'000**	31 December 2019 (Restated) HK$'000	1 January 2019 (Restated) HK$'000
CURRENT LIABILITIES				
Accounts payable	30	**616,572**	1,355,529	2,269,848
Other liabilities, payables and accruals	31	**708,834**	585,786	793,985
Interest-bearing borrowings	32	**3,920,973**	6,855,780	14,678,163
Repurchase agreements	33	**1,252,605**	1,842,271	4,637,829
Amounts due to related parties	26, 43	**59,341**	54,358	212,235
Tax payable		**94,943**	180,917	183,511
Lease liabilities	34	**55,593**	89,210	109,786
Financial liabilities at fair value through profit or loss	17	**53,282**	40,437	401,846
Total current liabilities		**6,762,143**	11,004,288	23,287,203
NET CURRENT ASSETS		**2,838,421**	6,468,198	12,818,639
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,233,061**	11,929,208	22,773,734
NON-CURRENT LIABILITIES				
Other liabilities, payables and accruals	31	**18,204**	19,881	66,243
Deferred tax liabilities	25	**2,093**	10,427	73,334
Interest-bearing borrowings	32	**6,745,326**	9,114,039	17,805,600
Lease liabilities	34	**86,262**	173,393	265,382
Total non-current liabilities		**6,851,885**	9,317,740	18,210,559
Net assets		**1,381,176**	2,611,468	4,563,175

Consolidated Statement of Financial Position

31 December 2020

	Notes	**31 December 2020** **HK$'000**	31 December 2019 (Restated) HK$'000	1 January 2019 (Restated) HK$'000
EQUITY				
Share capital	35	**8,710**	6,200	6,200
Share premium and reserves		**(2,838,792)**	59,164	1,586,216
Equity attributable to owners of the company		**(2,830,082)**	65,364	1,592,416
Perpetual capital securities classified as equity instruments	37	**2,755,872**	1,207,430	1,208,369
Non-controlling interests		**1,455,386**	1,338,674	1,762,390
Total equity		**1,381,176**	2,611,468	4,563,175

The consolidated financial statements on pages 106 to 251 were approved by the Board of Directors on 28 August 2021 and are signed on its behalf by:

Xu Xiaowu
Director

Wang Junlai
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	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 2019, as previously reported	3,588	1,639,533	139,615	–	1,433	–	3,348	(409,669)	(515,770)	862,078	1,208,369	–	2,070,447
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 2019, as restated	6,200	2,582,875	139,615	–	33,289	(264,100)	10,269	(409,669)	(506,063)	1,592,416	1,208,369	1,762,390	4,563,175
Loss for the year	–	–	–	–	–	–	–	–	(2,330,839)	(2,330,839)	66,025	(421,979)	(2,686,793)
Fair value gain on financial assets at fair value through other comprehensive income	–	–	–	–	–	–	–	52,410	–	52,410	–	–	52,410
Net provision for impairment of financial assets at fair value through other comprehensive income included in profit or loss	–	–	–	–	–	–	–	99,635	–	99,635	–	–	99,635
Reclassification adjustment relating to disposal of financial assets at fair value through other comprehensive income during the year	–	–	–	–	–	–	–	18,715	–	18,715	–	–	18,715
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(3,102)	–	–	(3,102)	–	(1,737)	(4,839)
Total comprehensive loss for the year	–	–	–	–	–	–	(3,102)	170,760	(2,330,839)	(2,163,181)	66,025	(423,716)	(2,520,872)
Distribution relating to perpetual capital securities	–	–	–	–	–	–	–	–	–	–	(66,964)	–	(66,964)
Disposal of subsidiaries	–	–	–	636,129	(1,316)	–	–	–	1,316	636,129	–	–	636,129
At 31 December 2019 and 1 January 2020	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 of 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	**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**

Notes:

(i) Pursuant to the Article 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 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 on 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 2019, 31 December 2019 and 1 January 2020; while non-controlling interests represented solely interests of holders of perpetual capital securities of HRIV as at 31 December 2020.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	2020	2019
		(Restated)
	HK$'000	HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax from continuing operations	(2,664,165)	(2,955,006)
Profit before tax from a discontinued operation	–	274,057
	(2,664,165)	(2,680,949)
Adjustments for:		
Finance costs	687,714	1,595,289
Fair value loss on financial instruments at fair value through profit or loss	439,176	330,319
Interest income	(775,303)	(1,852,415)
Fair value loss arising from disposal of financial assets at fair value through other comprehensive income	14,184	18,715
Dividend income	(44,204)	(174,129)
Depreciation	76,635	149,461
Gain on disposal of property and equipment	(4,933)	(5,527)
Share of result of associates	–	(14,327)
Net impairment of financial instruments	2,207,772	2,580,927
Impairment loss on property, plant and equipment	–	26,872
Gain on disposal of the foundation and substructure construction operation	–	(283,825)
Impairment loss of goodwill	–	279,952
Waive of interest by a related party	–	(14,150)
	(63,124)	(43,787)
(Increase)/decrease in other loans and debt instruments	(2,221,739)	2,346,651
Decrease in amount due from an associate	–	1,893
Decrease in finance lease receivables	12,277	268,474
Decrease in advances to customers in margin financing	2,413,720	284,233
Decrease in prepayments, deposits and other receivables	13,249	144,907
Decrease in financial assets at fair value through profit or loss	1,523,389	10,306,102
Decrease in restricted bank balances, pledged bank deposit, and deposits in other financial institutions	68,943	7,298
Decrease in accounts payable	(738,957)	(939,250)
Increase/(decrease) in other liabilities, payables and accruals	159,374	(16,462)
Decrease in repurchase agreements	(589,666)	(2,795,385)

	2020	2019
		(Restated)
	HK$'000	HK$'000
Cash generated from operations	**577,466**	9,564,674
Tax paid	**(116,893)**	(4,856)
Interest received	**548,561**	1,515,641
Net cash flows from operating activities	**1,009,134**	11,075,459
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received	**44,204**	171,971
Proceeds from disposal of financial assets at fair value through other comprehensive income	**1,357,662**	1,648,288
Proceeds from disposal of items of property, plant and equipment	**6,488**	18,013
(Increase)/decrease in other long term assets	**(839)**	85
Purchase of items of property, plant and equipment	**(5,495)**	(86,192)
Net outflows from disposal of subsidiaries	**–**	(163,534)
Net cash flows from investing activities	**1,402,020**	1,588,631
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	**(705,104)**	(1,465,096)
Drawdown of interest-bearing borrowings	**831,572**	19,291,598
Repayment of interest-bearing borrowings	**(6,135,092)**	(29,295,867)
Repayment of lease liabilities	**(97,956)**	(110,038)
Net changes from amount due to/from related parties	**2,996**	(156,447)
Proceeds from issuance of perpetual capital securities	**1,550,300**	–
Distribution to holder of perpetual capital securities	**(113,261)**	(66,964)
Net cash used in financing activities	**(4,666,545)**	(11,802,814)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(2,255,391)**	861,276
Cash and cash equivalents at beginning of year	**3,997,190**	3,140,752
Effect of foreign exchange rate changes, net	**(20,883)**	(4,838)
Effect of impairment of cash and cash equivalents, net	**(610)**	–
CASH AND CASH EQUIVALENTS AT END OF YEAR	**1,720,306**	3,997,190

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"). The principal activity of the Company is investment holding. 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 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. China Huarong is indirectly controlled by the PRC Government through the Ministry of Finance (the "MOF"). On 10 November 2020 (Cayman Islands time), the Company successfully privatised Huarong Investment Stock Corporation Limited ("HRIV"). HRIV becomes a wholly-owned subsidiary of the Company.

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

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	
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
Huarong International Services Limited 華融國際服務有限公司	Hong Kong	HK$1	–	100%	Provision of consultancy service
Beaverway Limited	British Virgin Islands/ Hong Kong	US$100	–	100%	Investment holding
Success Asia Global Limited 成亞環球有限公司	British Virgin Islands/ Hong Kong	US$100	–	100%	Investment holding
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
Able River Limited	British Virgin Islands/ Hong Kong	Ordinary share of USD1	–	100%	Direct investment
Advance Eagle Ventures Limited	British Virgin Islands/ Hong Kong	Ordinary share of USD1	–	100%	Direct investment
Atlantic Star Global Limited	British Virgin Islands/ Hong Kong	Ordinary share of USD1	–	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	
Big Thrive Limited	British Virgin Islands/ Hong Kong	Ordinary share of USD1	-	100%	Direct investment
Bloom Right Limited	British Virgin Islands/ Hong Kong	Ordinary share of USD1	-	100%	Direct investment
Cheery Plus Limited	British Virgin Islands/ Hong Kong	Ordinary share of USD1	-	100%	Direct investment
City Savvy Limited	British Virgin Islands/ Hong Kong	Ordinary share of USD1	-	100%	Direct investment
Coastal Treasure Limited	British Virgin Islands/ Hong Kong	Ordinary share of USD1	-	100%	Direct investment
Coleman Global Investments Limited	British Virgin Islands/ Hong Kong	Ordinary share of USD1	-	100%	Direct investment
Dazzling Elite Limited	British Virgin Islands/ Hong Kong	Ordinary share of USD1	-	100%	Direct investment
Jade Coronet Limited	British Virgin Islands/ Hong Kong	Ordinary share of USD1	-	100%	Direct investment
Star Lavish Limited	British Virgin Islands/ Hong Kong	Ordinary share of USD1	-	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	
Unique Rosy Limited	British Virgin Islands/ Hong Kong	Ordinary share of USD1	-	100%	Direct investment
Wealth Channel Global Limited	British Virgin Islands/ Hong Kong	Ordinary share of USD1	-	100%	Direct investment
Wise United Holdings Limited	British Virgin Islands/ Hong Kong	Ordinary share of USD1	-	100%	Direct investment
華融晟遠(北京)投資有限公司 (note a)	PRC	Registered Capital of RMB201,849,000	-	100%	Direct investment
中聚(深圳)融資租賃有限公司 (note a)	PRC	Registered Capital of USD30,000,000	-	100%	Provision of financial services

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

The above table list the subsidiaries of the Company which, in the opinion of the directors, principally affect the result for the year or formed a substantial portion of the net assets of the Group.

To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excess 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.

On 10 November 2020 (Cayman Islands time), the Privatization of HRIV by the Company has completed. There was allotment and issuance of approximately 5.1 billion ordinary 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 the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA in the preparation of financial statements. The comparative amounts have been restated accordingly as if the combination had occurred at the beginning of year 2019.

Based on the Company's business operations, available liquid funds, possible sources of finance, and future operating plan, the Company's management are of the view that the Company is capable of ensuring the Group's continued operation in the next 12 months, by considering the above to obtain sufficient working capital and maintain liquidity. Accordingly, the Company considers it appropriate to adopt the going concern basis for the preparation of the Company's consolidated financial statements.

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 2020. 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).

2.1 Basis of Preparation (continued)

Basis of consolidation (continued)

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 *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. 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)

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Coronavirus Disease 2019 ("Covid-19") pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendment did not have any impact on the financial position and performance of the Group.

(e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

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*[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKFRS 17	*Insurance Contracts*[3, 6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3, 5]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[3]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 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
6 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

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.

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

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 RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount 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 amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate and the London Interbank Offered Rate ("LIBOR") as at 31 December 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

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 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.

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

Amendments to HKAS 1 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.

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments also clarify that where payments that settle a liability are deductible for tax purpose, it is a matter of judgement whether such deductions are attributable for tax purpose to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). The amendment is not expected to have any significant impact on the Group's financial statements.

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.

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

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.

2.4 Summary of Significant Accounting Policies (continued)

Business combinations under common control (continued)

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.

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.

2.4 Summary of Significant Accounting Policies (continued)

Investments in associates and joint ventures (continued)

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*.

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

2.4 Summary of Significant Accounting Policies (continued)

Fair value measurement (continued)

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.

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.

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.

2.4 Summary of Significant Accounting Policies (continued)

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.

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.

2.4 Summary of Significant Accounting Policies (continued)

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

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 Hong Kong Stock Exchange Limited (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.

2.4 Summary of Significant Accounting Policies (continued)

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.

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.

2.4 Summary of Significant Accounting Policies (continued)

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.

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.

2.4 Summary of Significant Accounting Policies (continued)

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.

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 and certain consultancy and financial advisory services are fulfilled when all the relevant duties of a sponsor or a financial advisor as stated in the contract are completed. Accordingly, the revenue is recognised at a point in time.

2.4 Summary of Significant Accounting Policies (continued)

Revenue from contracts with customers (continued)

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.

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 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.

2.4 Summary of Significant Accounting Policies (continued)

Employee benefits (continued)

(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").

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.

2.4 Summary of Significant Accounting Policies (continued)

Employee benefits (continued)

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

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

(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.

Borrowing costs

Borrowing costs are expensed in the profit or loss in the year in which they are incurred, except to the extent that they are capitalised as the costs directly attributable to the financing of the construction of a qualifying asset. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

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.

2.4 Summary of Significant Accounting Policies (continued)

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 weighted average exchange rates for the year.

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;

2.4 Summary of Significant Accounting Policies (continued)

Related parties (continued)

(b) (continued)

(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.

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

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.

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, 18 and 45 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 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.

The foundation and substructure construction segment was discontinued in 2019 upon the disposal of a subsidiary of the Company, Auto Brave Limited, which carried out all of the Group's foundation and substructure construction operation. Information about the discontinued operation is provided in note 40. Since the disposal was completed on 9 December 2019, the foundation and substructure construction segment is presented as a discontinued operation. The comparative figures in operating segment information have excluded the foundation and substructure construction operation from segment results.

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 segment 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 2020 and 2019 for the Group's operating segments.

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
CONTINUING OPERATIONS					
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
CONTINUING OPERATIONS						
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)

For the year ended 31 December 2019

	Securities HK$'000	Corporate finance HK$'000	Asset management and direct investment (Restated) HK$'000	Financial services and others (Restated) HK$'000	Total (Restated) HK$'000
CONTINUING OPERATIONS					
Segment revenue					
Commission and fee income	30,280	8,907	81,833	51,957	172,977
Interest income	385,432	–	1,349,763	96,078	1,831,273
Investment income	–	–	174,129	–	174,129
	415,712	8,907	1,605,725	148,035	2,178,379
Net (loss)/gain on financial assets at fair value through profit or loss	–	–	(237,899)	12,663	(225,236)
Net loss arising from disposal of financial assets at fair value through other comprehensive income	–	–	(18,715)	–	(18,715)
Share of result of associates	–	–	14,327	–	14,327
Other income and gains or losses, net	3,872	–	17,777	8,473	30,122
	419,584	8,907	1,381,215	169,171	1,978,877
Segment results	(575,230)	(5,064)	(1,633,662)	(160,600)	(2,374,556)
Unallocated other income and gains of losses, expenses, net					(580,450)
Loss before tax					(2,955,006)
Income tax expense					(8,824)
Loss for the year from continuing operations					(2,963,830)

4. Operating Segment Information (continued)

(a) Operating segments (continued)

Other segment information for the year ended 31 December 2019

	Securities	Corporate finance	Asset management and direct investment (Restated)	Financial services and others (Restated)	Unallocated (Restated)	Total (Restated)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
CONTINUING OPERATIONS						
Finance costs	(17,400)	–	(1,500,035)	(49,558)	(25,607)	(1,592,600)
Net provision for impairment of other loans and debt instruments	–	–	(1,233,818)	–	–	(1,233,818)
Net provision for impairment of an amount due from an associate	–	–	(2,683)	–	–	(2,683)
Net provision for impairment of advances to customers in margin financing	(931,887)	–	–	–	–	(931,887)
Net provision for impairment of finance lease receivables	–	–	–	(202,966)	–	(202,966)
Net provision for impairment of financial assets at fair value through other comprehensive income	–	–	(99,635)	–	–	(99,635)
Net provision for impairment of other financial assets at amortised cost	(3,339)	(20,115)	(37,114)	(47,469)	–	(108,037)
Depreciation	(11,829)	–	(154)	(4,477)	(103,485)	(119,945)
Impairment loss on goodwill	–	–	–	–	(279,952)	(279,952)
Impairment loss on property, plant and equipment	–	–	–	–	(26,872)	(26,872)
Gain on disposal of property, plant and equipment	–	–	46	–	–	46

4. Operating Segment Information (continued)

(a) Operating segments (continued)

The following tables present the assets, liabilities for the Group's operating segments as at 31 December 2020 and 2019.

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**

As at 31 December 2019

	Securities HK$'000	Corporate finance HK$'000	Asset management and direct investment (Restated) HK$'000	Financial services and others (Restated) HK$'000	Total (Restated) HK$'000
Total segment assets	5,263,963	69,758	14,013,080	1,134,607	20,481,408
Other unallocated assets					2,452,088
Total assets					22,933,496
Total segment liabilities	1,160,784	4,457	2,878,133	225,468	4,268,842
Other unallocated liabilities					16,053,186
Total liabilities					20,322,028

4. Operating Segment Information (continued)

(b) Geographical information

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

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

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

	Revenue from external customers		Non-current assets	
	2020	2019 (Restated)	**2020**	2019 (Restated)
	HK$'000	HK$'000	**HK$'000**	HK$'000
CONTINUING OPERATIONS				
Hong Kong	**748,985**	1,880,746	**157,382**	271,542
Mainland China	**92,023**	297,633	**13**	1,953
Total	**841,008**	2,178,379	**157,395**	273,495

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

(c) Information about major customers

No customer contributed over 10% of total revenue of the Group for the years ended 31 December 2020 and 2019.

5. Revenue

The Group's revenue is disaggregated as follows:

	2020	2019 (Restated)
	HK$'000	HK$'000
CONTINUING OPERATIONS		
Revenue from contracts with customers		
Commission and fee income (note (i)):		
Fee and commission income on securities dealing and broking	**23,021**	15,688
Placing and underwriting fee income	**480**	555
Consultancy and financing advisory fee income	**2,440**	144,360
Fund subscription and management fee income	**1,762**	12,188
Other service income	**271**	186
	27,974	172,977
Revenue from other sources		
Interest income:		
Interest income calculated using the effective interest method		
Interest income from other loans and debt instruments	**280,412**	580,172
Interest income from finance lease receivables	**75,957**	96,078
Interest income from margin financing activities and others	**137,205**	385,432
Interest income from an amount due from an associate	**23,418**	23,570
	516,992	1,085,252
Interest income – others		
Interest income from financial assets at fair value through profit or loss	**83,304**	479,889
Interest income from financial assets at fair value through other comprehensive income	**168,534**	266,132
	251,838	746,021
Total interest income	**768,830**	1,831,273
Investment income:		
Dividend income	**44,204**	174,129
Total revenue	**841,008**	2,178,379

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 contract with customers recognised at a point in time and over time of HK$24,072,000 (2019: HK$16,429,000) and HK$3,902,000 (2019: HK$156,548,000), respectively.

6. Finance Costs

	2020	2019
		(Restated)
	HK$'000	HK$'000
CONTINUING OPERATIONS		
Interest on bank borrowings	**129,945**	246,420
Interest on repurchase agreements and other activities	**53,096**	173,016
Interest on borrowings from an intermediate holding company	**354,252**	842,538
Interest on borrowings from the ultimate holding company	**–**	137,069
Interest on borrowings from fellow subsidiaries	**29,309**	53,286
Interest on borrowings from an immediate holding company	**109,503**	125,724
Interest on lease liabilities	**11,609**	14,547
	687,714	1,592,600

7. Loss Before Tax

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

	2020	2019
		(Restated)
	HK$'000	HK$'000
CONTINUING OPERATIONS		
Depreciation of property, plant and equipment	**15,002**	15,745
Depreciation of right-of-use assets	**61,633**	104,200
Gain on disposal of property, plant and equipment	**(4,933)**	(46)
Impairment loss on property, plant and equipment	**–**	26,872
Impairment loss on goodwill	**–**	279,952
Auditor's remuneration	**6,237**	4,245
Legal and professional fees	**34,367**	21,469
Salaries, bonuses and allowances (including directors' remuneration)	**48,477**	91,361
Pension scheme contributions (including directors' remuneration)	**2,166**	7,589
Net provision for impairment of other loans and debt instruments	**1,375,602**	1,233,818
Net provision for impairment of an amount due from an associate	**315,289**	2,683
Net provision for impairment of advances to customers in margin financing	**342,356**	931,887
Net provision for impairment of finance lease receivables	**60,582**	202,966
Net provision for impairment of financial assets at fair value through other comprehensive income	**102,084**	99,635
Net provision for impairment of other financial assets at amortised cost	**11,859**	108,037

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:

	2020	2019 (Restated)
	HK$'000	HK$'000
Fees	**930**	957
Other emoluments:		
Salaries, allowances and benefits in kind	**718**	1,938
Discretionary bonuses	**177**	364
Retirement benefits	**19**	97
	914	2,399
	1,844	3,356

Detail analysis as per below:

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

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

2020 (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 is the general manager of an intermediate holding company and his emolument has 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$'000	Mr. Ma Li Shan HK$'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.

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

2019

(a) Executive directors

	Mr. Xu Yong (resigned on 20 November 2019) HK$'000	Mr. Bai Junjie (resigned on 8 July 2019) HK$'000	Mr. Yu Meng (appointed on 8 July 2019) HK$'000	Mr. Wang Junlai (appointed on 20 November 2019) HK$'000	Total HK$'000
Fees	–	–	–	–	–
Other emoluments:					
Salaries, allowances and benefits in kind	673	364	812	89	1,938
Discretionary bonuses	169	195	–	–	364
Retirement benefits	18	9	67	3	97
Sub-total	860	568	879	92	2,399

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.

(b) Non-executive directors

There was no non-executive director in 2019.

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

2019 (continued)

(c) Independent non-executive directors

	Dr. Wong Tin Yau Kelvin (resigned on 13 December 2019) HK$'000	Mr. Ma Li Shan HK$'000	Mr. Guan Huanfei HK$'000	Mr. Hung Ka Hai Clement (appointed on 13 December 2019) HK$'000	Total HK$'000
Fees	320	310	300	27	957
Other emoluments:					
Salaries, allowances and benefits in kind	–	–	–	–	–
Discretionary bonuses	–	–	–	–	–
Retirement benefits	–	–	–	–	–
Sub-total	320	310	300	27	957

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 amounts paid or payable by way of commission of sales generated by the individuals, the five highest paid employees during the year included none (2019: none) of the directors. Details of the remuneration of the remaining five (2019: five) non-directors and highest paid employees for the year are as follows:

	2020 **HK$'000**	2019 (Restated) HK$'000
Salaries and other benefits	**7,595**	7,393
Retirement benefits	**72**	184
	7,667	7,577

9. Five Highest Paid Employees (continued)

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

	2020 Number of employees	2019 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

	2020 **HK$'000**	2019 (Restated) HK$'000
CONTINUING OPERATIONS		
Current tax:		
Hong Kong	**218**	8,950
Mainland China	**37,737**	15,878
(Over)/under provision in prior years:		
– Hong Kong	**(5,391)**	821
– Mainland China	**(2,155)**	(6,177)
Deferred tax (note 25)	**(8,334)**	(10,648)
	22,075	8,824

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2018 (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%.

10. Income Tax Expense (continued)

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 profit for both years.

Hong Kong Profits Tax has been provided at the rate of 16.5% (2019: 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 (2019: 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:

	2020	2019
		(Restated)
	HK$'000	HK$'000
Loss before tax from continuing operations	**(2,664,165)**	(2,955,006)
Tax at the statutory tax rate of 16.5% (2019: 16.5%)	**(439,587)**	(487,576)
Over provision in prior years	**(7,546)**	(5,356)
Income not subject to tax	**(107,275)**	(93,729)
Expenses not deductible for tax	**135,736**	161,936
Effect of tax loss not recognised	**325,682**	323,063
Temporary difference not recognised	**121,901**	107,480
Profits and losses attributable to associate	**–**	(2,364)
Tax loss utilised	**(19,666)**	–
Effect of different tax rate of subsidiaries operating on other jurisdiction	**12,830**	5,370
Tax charge for the year from continuing operations	**22,075**	8,824

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 2020 and 31 December 2019. The board has resolved not to declare the payment of any dividend for the years ended 31 December 2020 and 31 December 2019.

12. Loss Per Share Attributable to Ordinary Equity Holders of the Company

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

Continuing operations and a discontinued operation

The calculation of the basic earnings per share from continuing and a discontinued operation attributable to the ordinary equity holders of the Company is as follows:

	2020	2019
		(Restated)
	HK$'000	HK$'000
Loss		
Loss for the year attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	**(2,786,174)**	(2,330,839)

	Number of shares	
	2020	2019
		(Restated)
	'000	'000
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**6,549,901**	6,200,237

Continuing operations

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

	2020	2019
		(Restated)
	HK$'000	HK$'000
Loss		
Loss for the year attributable to ordinary equity holders of the company, used in the basic loss per share calculation	**(2,786,174)**	(2,472,127)

	Number of shares	
	2020	2019
		(Restated)
	'000	'000
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**6,549,901**	6,200,237

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
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**

13. Property, Plant and Equipment (continued)

	Leasehold improvements (Restated) HK$'000	Furniture, equipment and motor vehicles (Restated) HK$'000	Total (Restated) HK$'000
2019			
At 1 January 2019:			
Cost	38,860	192,138	230,998
Accumulated depreciation and impairment	(26,315)	(124,481)	(150,796)
Net carrying amount	12,545	67,657	80,202
At 1 January 2019, net of accumulated depreciation and impairment	12,545	67,657	80,202
Additions	38,247	47,945	86,192
Eliminated on disposal	(1,990)	(15,977)	(17,967)
Eliminated on disposal of subsidiaries	(135)	(50,393)	(50,528)
Depreciation provided for continuing operations and a discontinued operation during the year	(8,872)	(26,724)	(35,596)
Impairment loss during the year	(19,079)	(7,793)	(26,872)
At 31 December 2019, net of accumulated depreciation and impairment	20,716	14,715	35,431
At 31 December 2019			
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

14. Other Long Term Assets

	2020 HK$'000	2019 HK$'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	**1,273**	250
Deposit with the Reserve Fund of HKEx Options Clearing House Limited	**1,500**	1,699
Deposit with the Reserve Fund of Hong Kong Futures Exchange Clearing Corporation Limited	**1,515**	1,500
	5,081	4,242

15. Intangible Assets

	Trading rights HK$'000	Other licences HK$'000	Goodwill HK$'000	Total HK$'000
COST				
At 1 January 2019 (restated)	20,171	2,806	279,952	302,929
Disposal of subsidiaries	–	(966)	–	(966)
At 31 December 2019 (restated) and 31 December 2020	**20,171**	**1,840**	**279,952**	**301,963**
ACCUMULATED IMPAIRMENT				
At 1 January 2019 (restated)	17,821	–	–	17,821
Impairment during the year	–	–	279,952	279,952
At 31 December 2019 (restated) and 31 December 2020	17,821	–	279,952	297,773
NET CARRYING AMOUNT				
At 1 January 2019 (restated)	2,350	2,806	279,952	285,108
At 31 December 2019 (restated) and 31 December 2020	**2,350**	**1,840**	**–**	**4,190**

The trading rights represent the eligibility rights to trade on or through the SEHK 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 2020 and 2019.

Other licences used for the Group's operations are expected to be renewable without significant cost. The directors of the Company are of the opinion that the licences have indefinite useful lives and the Group would renew the licences continuously and has the ability to do so. Therefore, licences are considered by the management of the Group as having indefinite useful lives. These licences 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 impairment is considered necessary for years ended 31 December 2020 and 2019.

Goodwill arised from the adjustment for the acquisition of HRIV as a result of application of merger accounting. During year ended 31 December 2019, the Group tested and impaired the goodwill in full.

16. Right-of-Use Assets

	Leased properties HK$'000	Machinery HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Total HK$'000
As at 1 January 2019 (restated)					
Carrying amount	344,840	10,054	1,284	2,375	358,553
Depreciation provided during the year	(108,042)	(3,088)	(1,981)	(754)	(113,865)
Additions to right-of-use assets	6,822	–	697	–	7,519
Disposal of subsidiaries	(5,699)	(6,966)	–	–	(12,665)
Termination of lease	(5,668)	–	–	–	(5,668)
As at 31 December 2019 and 1 January 2020 (restated)					
Carrying amount	232,253	–	–	1,621	233,874
Depreciation provided for continuing operations and a discontinued operation	**(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					
Carrying amount	**127,552**	**–**	**–**	**1,284**	**128,836**

For both years, the Group leases various offices, staff quarters, machinery and office equipment for its operations. Lease contracts are entered into for 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 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in above.

The amount recognised in profit or loss in relation to leases are as follows:

	2020 **HK$'000**	2019 (Restated) HK$'000
Interest on lease liabilities on continuing operations and a discontinued operation	**11,609**	14,840
Expense relating to leases of short-term leases and low-value assets	**8,168**	4,797
Depreciation of right-of-use assets on continuing operations and a discontinued operation	**61,633**	113,865

17. Financial Assets/(Liabilities) at Fair Value Through Profit or Loss

	2020	2019 (Restated)
	HK$'000	HK$'000
Financial assets at FVTPL		
Non-current		
– Unlisted exchangeable notes (note (i))	**–**	61,201
– Unlisted fund investments (note (ii))	**1,789,810**	2,199,265
	1,789,810	2,260,466
Current		
– Unlisted fund investments (note (ii))	**48,003**	37,956
– Listed equity investments	**597,547**	1,005,178
– Listed fixed income securities	**1,945,717**	2,978,148
– Unlisted fixed income securities (note (iii))	**471,389**	509,170
– Unlisted put options on listed equity investments at fair value (note (iv))	**653,020**	684,972
– Unlisted foreign exchange forward contracts	**–**	38,939
– Unlisted foreign exchange option contracts	**–**	977
– Unlisted equity forward contracts (note (v))	**–**	26,110
	3,715,676	5,281,450
Total financial assets at FVTPL	**5,505,486**	7,541,916
Financial liabilities at FVTPL		
Current		
Unlisted foreign exchange forward contracts	**53,282**	–
Unlisted foreign exchange swaps	**–**	1,414
Payables to interest holders of unlisted consolidated investment funds, measured at FVTPL (note (vi))	**–**	39,023
Total financial liabilities at FVTPL	**53,282**	40,437

17. Financial Assets/(Liabilities) at Fair Value Through Profit or Loss (continued)

Notes:

(i) The unlisted exchangeable note represents a note with principal amount of HK$60,278,000 issued by a controlling shareholder of a listed company in Hong Kong with a conversion option to the ordinary shares of a listed company in Hong Kong. The unlisted exchangeable note carries a variable rate at 5% or 8% per annum subject to the terms of the note. The unlisted exchangeable note has been redeemed in August 2020. The fair value as at 31 December 2019 was estimated by an independent firm of professional valuers not connected to the Group.

(ii) The Group does not expect to transfer the unlisted fund investments of approximately HK$1,789,810,000 (2019: HK$2,199,265,000) to third parties within the next twelve months and has accordingly classified them as non-current assets.

(iii) The coupon rates of these unlisted fixed income securities are ranged from 7% to 8% (2019: from 5% to 8%) per annum as at 31 December 2020. The Group expects to transfer such unlisted fixed income securities to third parties within the next twelve months or they mature within twelve months after the end of the reporting period. The fair value of the unlisted fixed income securities was determined by an independent firm of professional valuers not connected to the Group.

(iv) The Group purchased listed securities together with put options which gives 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 fair value of HK$653,020,000 (2019: HK$684,972,000) of options expected to be settled within 12 months was estimated by an independent firm of professional valuers not connected to the Group.

(v) On 24 December 2019, the Group entered into an agreement to sell equity securities (included in the Group's equity securities portfolio) upon completion of all conditions set out in the agreement. The agreement is accounted for as an unlisted equity forward contract. The contract was settled in January 2020.

(vi) Third-party interests in 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

	2020	2019
	HK$'000	HK$'000
Non-current:		
Fixed income investments, at fair value	**1,591,337**	2,055,607
Current:		
Fixed income investments, at fair value	**960,124**	1,911,824
	2,551,461	3,967,431

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$76,476,000 (2019: a gain of approximately HK$52,410,000). During the year, the Group had provision for impairment of financial assets at fair value through other comprehensive income included in profit or loss of HK$102,084,000 (2019: HK$99,635,000). Total allowances for impairment as at 31 December 2020 are HK$223,084,000 (2019: HK$121,000,000). During the year, the Group disposed of financial assets at FVTOCI to independent third parties, and recorded a loss of approximately HK$14,184,000 (2019: HK$18,715,000), which was reclassified from other comprehensive income to profit or loss upon disposal.

Interest income derived from financial assets at FVTOCI was recognised as "interest income from financial assets at FVTOCI" within "revenue".

Details of movements in the provision for impairment are set out in note 46.

19. Finance Lease Receivables

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 loss	(393,847)	(393,847)
Carrying amount of finance lease receivables	995,567	995,567

19. Finance Lease Receivables (continued)

The finance lease receivables as at 31 December 2019 (restated)

	HK$'000
Non-current	479,206
Current	526,362
	1,005,568

	Minimum finance lease receivables HK$'000	Present value of minimum finance lease receivables HK$'000
Within one year	767,740	700,970
After one year but within two years	419,241	381,035
After two years but within three years	255,669	245,512
Over three years	12,943	12,571
	1,455,593	1,340,088
Less: Unearned finance income	(115,505)	–
	1,340,088	1,340,088
Less: Allowance for impairment loss	(334,520)	(334,520)
Carrying amount of finance lease receivables	1,005,568	1,005,568

The movements of ECL on finance lease receivables

	HK$'000
At 1 January 2019 (restated)	138,144
Net recognition of impairment losses for the year	202,966
Exchange difference arising on translation of foreign operations	(6,590)
At 31 December 2019 and 1 January 2020 (restated)	**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	**393,847**

19. Finance Lease Receivables (continued)

At 31 December 2020, finance lease receivables were all secured by the lease assets which are mainly machineries, motor vehicles and equipment. Effective interest rates of the above finance leases were range from 7.04% to 9.44% per annum (2019: 5.92% to 10.23% per annum).

At 31 December 2020, the gross carrying amount of the finance lease receivables which have been pledged as security for borrowing, is RMB321,523,000 (equivalent to HK$382,020,000) (2019: RMB316,384,000 (equivalent to HK$353,194,000)).

20. Other Loans and Debt Instruments

	2020	2019 (Restated)
	HK$'000	HK$'000
Other loans and debt instruments	**6,118,324**	2,822,402
Provision for allowance of expected credit losses	**(3,007,596)**	(764,837)
	3,110,728	2,057,565
Analysed as:		
Non-current	**1,313,915**	–
Current	**1,796,813**	2,057,565
	3,110,728	2,057,565

As at 31 December 2020, other loans and debt instruments have contractual interest rates ranging from 6% to 13% per annum (2019: 6% to 13% per annum) with contractual maturity date up to 2 years from 31 December 2020 (2019: up to 1 year).

As at 31 December 2020, other loans and debt instruments with a carrying amount of approximately HK$3,081,717,000 were secured by equity interests in companies listed on Hong Kong and Mainland China, residential properties in Hong Kong, land and properties in the Mainland China, land and properties in the United States, and unlisted equity interests which were backed by guarantees from corporates or individuals (2019: HK$2,026,236,000 were secured by equity interests in companies listed on Hong Kong and Mainland China, land and properties in the 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$29,011,000 as at 31 December 2020 (2019: HK$31,329,000) which were guaranteed by an independent third party.

As at 31 December 2020, the Group has a concentration of credit risk as 57% (2019: 82%) 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".

20. Other Loans and Debt Instruments (continued)

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 positions.

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 2020, the average loss rates for 12-month ECL, lifetime ECL (not credit-impaired) and lifetime ECL (credit-impaired) were 0.03% (31 December 2019: 0.44%), 2.84% (31 December 2019: 1.52%) and 60% (31 December 2019: 33%) respectively.

As at 31 December 2020 and 31 December 2019, the contractual amount outstanding on other loans and debt instruments that have been written off, but were still subject to enforcement activity was nil.

Novation loans

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

According to Paragraphs 3.10 and 6.4 of Guidelines for Securities Margin Financing Activities ("SMF Guidelines"), a Securities Margin Financing ("SMF") broker should assess the concentration risks of individual securities collateral by estimating the impact on its excess liquid capital of the hypothetical stress scenario of the securities held as collateral being valued at nil 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.

20. Other Loans and Debt Instruments (continued)

Novation loans (continued)

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, the 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 transaction price to subsidiary A for the transfer within 3 years. This balance is unsecured and interest-free.

As at 31 December 2020, there was a further reduction in carrying amount of the assigned loans as compared to the position as at the assignment date as a result of partial repayments amounted to HK$14,499,000 and impairment provision amounted to HK$1,118,594,000, resulting in a net balance of HK$1,313,915,000.

Details of credit risk profile disclosure are set out in "credit risk and impairment assessment" in note 46.

The carrying amounts of the Group's other loans and debt instruments are denominated in the following currencies:

	2020	2019 (Restated)
	HK$'000	HK$'000
Hong Kong Dollar	**2,422,128**	1,410,957
United States Dollar ("USD")	**171,796**	186,067
Renminbi ("RMB")	**516,804**	460,541
	3,110,728	2,057,565

21. Investments Accounted for Using the Equity Method and Amount Due from an Associate

Name of entity	Country of incorporation	Interest held by the Group As at 31 December 2020	As at 31 December 2019	Principal activities
Hua Rong Bo Run International Investment Holdings Limited	Hong Kong	**40%**	40%	Investment holding

The total investment in an associate accounted for using the equity method (comprised of the cost of unlisted investment in an associate, share of results of an associate and exchange differences) was nil as at 31 December 2020 and 31 December 2019.

The share of profit arisen from Hua Rong Bo Run International Investment Holdings Limited for the years ended 31 December 2020 and 31 December 2019 was nil.

The share of profit arisen from 華融柏潤（珠海）資產管理有限公司 for the year ended 31 December 2019 was profit of HK$14,327,000. In December 2019, the Group disposed of all 40% interest in 華融柏潤（珠海）資產管理有限公司.

The carrying amount of amount due from an associate, Hua Rong Bo Run International Investment Holdings Limited, dropped to nil (2019: HK$316,189,000) as at 31 December 2020 with an interest rate of 7% per annum, repayable on 21 May 2022 and extendable for 2 years. The gross carrying amount of the amount due from the associate was HK$327,761,000 (2019: HK$328,661,000) as at 31 December 2020. The carrying amount of the amount due from an associate was net of provision for impairment of HK$327,761,000 (2019: HK$12,472,000).

22. Advances to Customers in Margin Financing

	2020 **HK$'000**	2019 HK$'000
Advances to customers in margin financing	**913,636**	4,214,066
Less: Provision for allowance of expected credit losses	**(823,453)**	(1,330,395)
	90,183	2,883,671

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 respective stock exchanges in Hong Kong as at 31 December 2020 and 2019. The loans are repayable on demand subsequent to settlement date of the trade and normally carry interest at nil to Hong Kong Prime Rate + 15% per annum (2019: nil to Hong Kong Prime Rate + 15% per annum).

22. Advances to Customers in Margin Financing (continued)

The advances to customers in margin financing has a concentration of credit risk as 92% (2019: 65%) which were due from the Group's five largest securities margin clients.

In determining the allowances for credit impaired loans to margin clients, the management of the Group also takes into account the shortfall by comparing the market value of securities pledged as collateral and the outstanding balance of the loan to margin clients individually taking into account of the subsequent settlement or executable settlement plan and restructuring arrangements. The management of the Group estimates the amount of expected credit loss allowance on these credit impaired loan receivables by assessing the present 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 2020, the average loss rates for 12-month ECL, lifetime ECL (not credit-impaired) and lifetime ECL (credit-impaired) were 0.13% (31 December 2019: 0.04%), 0% (31 December 2019: 0.03%) and 94% (31 December 2019: 48%) respectively.

As at 31 December 2020 and 31 December 2019, 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 current year, subsidiary A has signed deeds of assignment with certain margin customers effective on 30 April 2020 which was detailed in note 20. Subsidiary A assigned advances to customers in margin financing amounting to HK$2,447,008,000, which is net of provision of HK$849,298,000.

23. Accounts Receivable

	2020 HK$'000	2019 (Restated) HK$'000
Accounts receivable from:		
– securities, futures and options dealing services		
– clients	**3,680**	1,259
– brokers, dealers and clearing houses	**86,903**	71,125
– corporate finance	**83,241**	123,347
– asset management and others	**82,224**	–
	256,048	195,731
Less: Provision for allowance of expected credit losses	**(91,164)**	(82,410)
	164,884	113,321

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

	2020 HK$'000	2019 (Restated) HK$'000
0 – 30 days	**90,429**	97,941
31 – 90 days	**74,455**	456
91 – 365 days	**–**	–
Over 365 days	**–**	14,924
	164,884	113,321

23. Accounts Receivable (continued)

The movements in provision for impairment of accounts receivable are as follows:

	2020	2019
		(Restated)
	HK$'000	HK$'000
At beginning of year	**82,410**	1,071
Impairment losses, net	**12,149**	81,339
Amount written off during the year	**(3,395)**	-
At end of year	**91,164**	82,410

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 its repayment schedule and assesses the latest status of the debtors.

Details of credit risk profile disclosure are set out in "credit risk and impairment assessment" in note 46.

As at 31 December 2020, accounts receivable amounting to HK$165,465,000 (2019: HK$123,347,000) were arising from corporate finance and asset management business which is under the scope of HKFRS 15. The Group performs impairment assessment under lifetime ECL on these balances individually for debtors. As at 31 December 2020, allowance amounting to HK$90,891,000 (2019: HK$82,134,000) 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$273,000 (2019: HK$276,000).

24. Prepayments, Deposits and Other Receivables

	2020 HK$'000	2019 (Restated) HK$'000
Non-current		
Deposits	**20,937**	21,500
	20,937	21,500
Current		
Prepayments	**23,211**	32,107
Deposits	**2,280**	26,820
Other receivables	**120,167**	98,517
	145,658	157,444
	166,595	178,944

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.

	2020 HK$'000	2019 HK$'000
Deferred tax assets	**52,232**	52,232
Deferred tax liabilities	**(2,093)**	(10,427)
	50,139	41,805

25. Deferred Taxation (continued)

The movements in deferred tax assets/(liabilities) during the year are as follows:

	Temporary difference on provision for impairment of financial assets	Depreciation allowances on excess of the related depreciation	Tax losses	Temporary difference on net unrealised gain on financial assets/ liabilities at FVTPL	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2019	9,267	(8,793)	108,994	(71,812)	37,656
(Charge)/credit to profit or loss	(268)	8,793	(56,762)	60,222	11,985
Disposal of subsidiary	(8,999)	–	–	1,163	(7,836)
At 31 December 2019	–	–	52,232	(10,427)	41,805
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 the end of the year, the Group has unused tax losses of approximately HK$4,047,354,000 (2019: HK$2,192,163,000) available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. A deferred tax asset has been recognised in respect of HK$316,558,000 (2019: HK$316,558,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$3,730,796,000 (2019: HK$1,875,605,000) 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.

25. Deferred Taxation (continued)

At 31 December 2020, the Group has other deductible temporary differences of HK$1,656,931,000 (2019: HK$918,137,000). 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 2020 and 2019, 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 purpose and carry interest at prevailing market rates.

29. Cash and Cash Equivalents and Pledged Bank Deposit

	2020	2019
		(Restated)
	HK$'000	HK$'000
Cash and bank balances	**1,637,413**	3,858,992
Time deposits	**95,893**	138,198
	1,733,306	3,997,190
Less:		
Pledged time deposit for a bank borrowing	**(13,000)**	–
Cash and cash equivalents	**1,720,306**	3,997,190

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 deposits are deposited with creditworthy banks with no recent history of default.

As at 31 December 2020, HK$13,000,000 time deposit have been pledged for a bank borrowing (2019: nil).

30. Accounts Payable

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

	2020	2019
		(Restated)
	HK$'000	HK$'000
Current to 1 month	**616,572**	1,355,529

As at 31 December 2020, included in the accounts payable is the accounts payable to financial institutions of approximately HK$219,904,000 (2019: HK$948,433,000) 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 2020, accounts payable with carrying amount of approximately HK$396,615,000 (2019: HK$406,679,000) are interest-bearing at bank savings deposit rates.

31. Other Liabilities, Payables and Accruals

	2020	2019 (Restated)
	HK$'000	HK$'000
Current		
Other payables (note (i))	**67,894**	35,768
Interest payables (note (ii))	**424,396**	362,850
Accruals	**19,327**	23,320
Receipt in advance	**197,217**	128,444
Deferred income	**–**	35,404
	708,834	585,786
Non-current		
Other payables	**18,204**	19,881
	727,038	605,667

Other payables and accrued liabilities are non-interest-bearing.

Notes:

(i) Included in other payables of HK$4,876,000 (2019: HK$ nil) are in relation of sharing of expenses from the intermediate holding company.

(ii) Included in interest payables are the interest payables of HK$29,158,000 (2019: HK$48,966,000) in relation to the loans from the intermediate holding company of an aggregate amount of US$605,115,000 (2019: US$1,161,685,000) at annual interest rates ranging from 4.3% to 7.98% (2019: 4.3% to 7.98%) and interest payables of HK$15,861,000 (2019: HK$13,443,000) in relation to the bank borrowings. Moreover, interest payables of HK$309,106,000 (2019: HK$236,419,000) is related to the loans from an immediate holding company and HK$94,148,000 (2019: HK$64,022,000) is related to unsecured loans from fellow subsidiaries.

32. Interest-Bearing Borrowings

	2020	2019
		(Restated)
	HK$'000	HK$'000
Non-current:		
Secured bank borrowings	**31,150**	171,047
Unsecured loans from fellow subsidiaries	**–**	747,859
Unsecured loans from an intermediate holding company	**4,691,214**	5,449,796
Unsecured loans from an immediate holding company	**2,022,962**	2,745,337
	6,745,326	9,114,039
Current:		
Secured bank borrowings	**216,151**	164,394
Unsecured bank borrowings	**3,111,457**	3,092,847
Unsecured loans from fellow subsidiaries	**593,365**	–
Unsecured loans from an intermediate holding company	**–**	3,598,539
	3,920,973	6,855,780
Total interest-bearing borrowings	**10,666,299**	15,969,819

32. Interest-Bearing Borrowings (continued)

	2020	2019
		(Restated)
	HK$'000	HK$'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	**3,920,973**	6,855,780
Within a period of more than one year but not exceeding two years	**852,275**	1,241,891
Within a period of more than two years but not exceeding five years	**3,966,473**	3,448,124
Within a period of more than five years	**1,926,578**	4,424,024
	10,666,299	15,969,819

	2020	2019
		(Restated)
	HK$'000	HK$'000
Denominated in:		
HK$	**2,629,000**	2,642,390
US$	**7,326,632**	12,534,530
RMB	**710,667**	792,899
	10,666,299	15,969,819

As at 31 December 2020, bank borrowings of nil (2019: HK$144,500,000) are secured by the listed shares (held by the Group as security for advances to customers in margin financing with the customers' consent), while HK$247,301,000 (2019: HK$190,941,000) are secured by finance lease receivable of HK$382,020,000 (2019: HK$353,194,000) and pledged bank deposit of HK$13,000,000 as at 31 December 2020 (2019: nil).

As at 31 December 2020, Group has utilised bank credit facilities of approximately HK$3,358,758,000 (31 December 2019: approximately HK$3,428,288,000), comprising HK$247,301,000 (31 December 2019: HK$190,941,000) subject to interest at fixed annual rates ranging from 3.9% to 6.1% (31 December 2019: annual rates of 6.1%), and HK$3,111,457,000 (31 December 2019: HK$3,237,347,000) subject to floating interest rates.

32. Interest-Bearing Borrowings (continued)

In addition, the Group had loans amounting to approximately US$605,115,000 (equivalent to approximately HK$4,691,214,000) (2019: US$1,161,685,000 (equivalent to approximately HK$9,048,335,000)) 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 (31 December 2019: 4.3% to 7.98% per annum) and are repayable after one year and within nine years (31 December 2019: three months to ten years) from the end of the year.

Furthermore, the Group had the loans amounting to approximately US$260,940,000 (equivalent to approximately HK$2,022,962,000) (2019: the Group had loans denominated in USD of US$345,000,000 (equivalent to approximately HK$2,686,808,000) and loans denominated in HKD of HK$58,529,000 respectively) 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 (2019: 0.77% to 5.81% per annum) and are repayable after two years and within nine years (31 December 2019: after one year and within ten years) from the end of the year.

In addition, the Group had a loan denominated in RMB of approximately RMB$499,400,000 (equivalent to approximately HK$593,365,000) (2019: a loan denominated in HKD of HK$86,361,000, a loan denominated in RMB of RMB521,400,000 (equivalent to approximately HK$582,063,000) and a loan denominated in USD of USD10,200,000 (equivalent approximately HK$79,435,000)) 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 (2019: 6.87% per annum) and are repayable within one year (31 December 2019: two years to three years) 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.

Subsequent to date of financial statements, the Group failed to comply with certain non-financial conditions stipulated in certain lending and borrowing agreements, and the relevant amount of these borrowings was approximately HK$2,639,000,000. Up to the date of the issuance of these consolidated financial statements, the Group has repaid certain borrowings upon maturity and for the remaining balances, the Group has either received waiver or is in active dialogue with the relevant banks. These banks still provide normal banking facilities to the Group and have not yet requested early repayments of borrowings.

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 2020, the obligations under repurchase agreements was HK$1,252,605,000 (31 December 2019 (restated): HK$1,842,271,000).

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.

	2020	2019 (Restated)
	HK$'000	HK$'000
Financial assets at fair value through other comprehensive income	**737,137**	1,367,939
Financial assets at fair value though profit and loss	**1,077,083**	1,608,648
	1,814,220	2,976,587

34. Lease Liabilities

	2020	2019
		(Restated)
	HK$'000	HK$'000
Maturity of lease liabilities:		
Within one year	**55,593**	89,210
Within a period of more than one year but not more than two years	**56,937**	67,663
Within a period of more than two years but not more than five years	**29,325**	105,730
	141,855	262,603
Less: Amount due for settlement within 12 months shown under current liabilities	**(55,593)**	(89,210)
Amount due for settlement after 12 months shown under non-current liabilities	**86,262**	173,393

The carrying amount of lease liabilities and the movements during the year are as follows.

	2020	2019
		(Restated)
	HK$'000	HK$'000
Carrying amount at 1 January	**262,603**	375,168
New leases	**10,594**	7,519
Accretion of interest recognized for continuing operations and a discontinued operation during the year	**11,609**	14,840
Payments	**(109,565)**	(124,878)
Disposal of subsidiaries	**–**	(10,015)
Termination of lease	**(33,386)**	–
Foreign exchange difference	**–**	(31)
Carrying amount at 31 December	**141,855**	262,603

35. Share Capital

	Number of shares '000,000	Share capital HK$'000
Authorised:		
Ordinary shares of HK$0.001 each at 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	1,000,000	1,000,000
Issued and fully paid:		
At 1 January 2019	3,588	3,588
Issue of shares (note a)	–	–
At 31 December 2019 and 1 January 2020	**3,588**	**3,588**
Issue of shares (note a)	**5,122**	**5,122**
At 31 December 2020	**8,710**	**8,710**

All shares issued during the prior period rank pari passu with the then existing ordinary shares in all respects.

Note (a): The difference between share capital presented on the consolidated statement of financial position and in note 35 above arises from the adjustment on consideration shares issued to the controlling party for the acquisition of HRIV as a result of the application of merger accounting.

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 interested are held by the Group;

(b) any non-executive directors (including independent non-executive directors) of the Company, the Subsidiaries or the Invested Entities;

(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.

36. Share Option Scheme (continued)

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) the SEHK 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 SEHK closing price of the Company's shares as stated in the SEHK'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 2020 and 2019. As at the date of this report, the number of share options available for issue under the Scheme was 327,810,791, representing approximately 3.76% (2019: 9.14%) of the total number of issued shares of the Company as at the date of this report.

37. Perpetual Capital Securities Classified as Equity Instruments

	Principal HK$'000	Distribution HK$'000	Total HK$'000
Balance at 1 January 2019	1,186,854	21,515	1,208,369
Profit attributable to holder of perpetual capital securities	–	66,025	66,025
Distribution relating to perpetual capital securities	–	(66,964)	(66,964)
Balance at 31 December 2019 and 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	**2,737,154**	**18,718**	**2,755,872**

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 completed. There was 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 the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA in the preparation of financial statements. The comparative amounts have been restated accordingly as if the combination had occurred at the beginning of year 2019.

38. Application of Merger Accounting and Reserves (continued)

The statements of the adjustments to the consolidated equity as at 31 December 2020 and 2019 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 instruments	**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**

At 31 December 2019

	Before combination HK$'000	Equity under common control HK$'000	Adjustment HK$'000	After combination HK$'000
Share capital	3,588	18,160	(15,548)	6,200
Merger reserve	–	(87,838)	(176,262)	(264,100)
Share premium	1,639,533	558,060	385,282	2,582,875
Retained earnings and other reserves	(1,521,454)	(598,805)	(139,352)	(2,259,611)
	121,667	(110,423)	54,120	65,364
Perpetual capital securities classified as equity instruments	1,207,430	1,392,794	(1,392,794)	1,207,430
Non-controlling interests	–	–	1,338,674	1,338,674
	1,329,097	1,282,371	–	2,611,468

38. Application of Merger Accounting and Reserves (continued)

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of these consolidated financial statements.

39. Commitments

	2020	2019
		(Restated)
	HK$'000	HK$'000
Fund commitments		
Commitments in respect of capital contribution to the investment fund	**27,936**	31,834

40. Discontinued Operation

On 27 September 2019, the Company and Acute Peak Investments Limited ("Acute Peak"), which is 50% owned by Mr. Kwan Wai Ming ("Mr. Kwan"), an ex-executive director of the Company and a director of Acute Peak, and Mr. Leung Kam Chuen ("Mr. Leung"), a director of Acute Peak, entered into a share purchase agreement in relation to the disposal, pursuant to which the Company agreed to sell, and Acute Peak agreed to purchase, the entire issued share capital of a subsidiary of the Company, Auto Brave Limited and its subsidiaries (the "Disposal group"), which carried out all of the Group's foundation and substructure construction operation, at the consideration of HK$290,000,000 by setting off in full against the Group's obligations to repay the outstanding balance owned to the Disposal group amounting to HK$311,798,000. The disposal was effected to enable the Group to focus on its remaining businesses and was completed on 9 December 2019, on which date the control of Auto Brave Limited was passed to the acquirer. The consideration was satisfied in the repayment of HK$21,798,000 by the Company to the Disposal Group before the completion date of the disposal. Accordingly, the results of the Disposal Group for the year ended 31 December 2019 have been presented as a discontinued operation in the consolidated financial statements.

40. Discontinued Operation (continued)

The loss for the period in 2019 from the discontinued foundation and substructure construction operation is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the foundation and substructure construction operation as a discontinued operation.

	From 1 January 2019 to 9 December 2019 HK$'000
Loss of the foundation and substructure construction operation for the period	(6,788)
Gain on disposal of the foundation and substructure construction operation	283,825
	277,037

The results of the foundation and substructure construction operation for the period from 1 January 2019 to 9 December 2019, which have been included in the consolidated statement of profit or loss and other comprehensive income were as follows:

	From 1 January 2019 to 9 December 2019 HK$'000
Revenue	
Income from construction services	643,266
Total revenue	643,266
Other gains	5,481
Net recognition of impairment losses	(1,901)
Other income	16,045
Labour costs for construction business	(50,368)
Other staff costs	(14,373)
Material and subcontractor costs	(483,622)
Other construction costs	(104,952)
Other operating expenses	(16,655)
Finance costs	(2,689)
Loss before tax	(9,768)
Income tax credit	2,980
Loss for the period	(6,788)

40. Discontinued Operation (continued)

	From 1 January 2019 to 9 December 2019 HK$'000
Loss for the period from discontinued operation includes the followings:	
Gain on disposal of plant and equipment	5,481
Auditor's remuneration	252
Staff costs (included in labour costs for construction business and other staff cost)	
– Salaries, allowances and benefits in kind	62,653
– Retirement benefits scheme contributions	2,088
Total staff costs	64,741
Depreciation of right-of-use assets	9,665
Auditor's remuneration	
– Audit services	252
– Non-audit services	110
	362

40. Discontinued Operation (continued)

During the year ended 31 December 2019, Auto Brave Limited contributed HK$19.5 million to the Group's net operating cash flows, contributed HK$11.9 million in respect of investing activities and paid HK$28.4 million in respect of financing activities.

Earnings per share attributable from a discontinued operation in 2019:

	2019 (Restated)
Earnings per share:	
Basic, from the discontinued operation	HK2.3 cents

The calculation of basic earnings per share from the discontinued operation in 2019 are based on:

	2019 (Restated)
Profit attributable to ordinary equity holders of the parent from the discontinued operation	HK$277,037,000
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	6,200,237,000

The carrying amounts of the assets and liabilities of the Disposal group at the date of disposal are disclosed in note 41.

41. Disposal of Subsidiaries

(a) On 18 October 2019, the Company and China Huarong Overseas Investment Holdings Co., Limited ("Huarong Overseas"), a fellow subsidiary of China Huarong, entered into a master deed (the "Huarong Overseas Master Deed") and a deed to transfer the equity interest in Huarong Tianhai (Shanghai) Investment Management Company Limited ("Huarong Tianhai") (the "Huarong Tianhai Transfer Agreement"), while Linewear Assets Limited ("Linewear"), a direct wholly-owned subsidiary of the Company, and Huarong Overseas entered into a deed to transfer the equity interests in the Wide Trend Global Limited ("Wide Trend") (the "Wide Trend Transfer Deed"), pursuant to which, the Company agreed to sell and Huarong Overseas agreed to acquire 100% equity interest in Huarong Tianhai, while Linewear agreed to sell and Huarong Overseas agreed to acquire 100% of the issued shares of Wide Trend at the aggregate of total consideration of HK$11,230,000 and the actual amount paid by the Company on their behalf in relation to the amount attributed to the transition period (i.e. from 1 October 2019 to 8 December 2019), which amounted to HK$21,986,000 ("Disposal"). The Disposal was fully completed on 9 December 2019. The HK$11,230,000 as settled on 30 December 2019 and the remaining of HK$21,986,000 was subsequently settled in 2020.

(b) As referred to in note 40, the disposal of the Disposal group was completed on 9 December 2019.

41. Disposal of Subsidiaries (continued)

(b) (continued)

Analysis of assets and liabilities over which control was lost in 2019:

	Huarong Tianhai HK$'000	Wide Trend HK$'000	Auto Brave Limited HK$'000	Total HK$'000
Non-current assets				
Property and equipment	446	–	50,082	50,528
Intangible assets	–	966	–	966
Right-of-use asset	770	–	11,895	12,665
Interest in associates	49,967	–	–	49,967
Deferred tax assets	8,999	–	–	8,999
Amount due from immediate holding company	1,042	–	–	1,042
Total non-current assets	61,224	966	61,977	124,167
Current assets				
Prepayments, deposits and other receivables	3,825	–	27,700	31,525
Contract assets	–	–	106,252	106,252
Financial assets at fair value through profit or loss	–	1,556,828	–	1,556,828
Other loans and receivables	1,574,368	2,359,686	–	3,934,054
Amount due from a fellow subsidiary	–	–	290,000	290,000
Tax recoverable	–	690	5,038	5,728
Cash and bank equivalents	124,651	35,311	14,802	174,764
Total current assets	1,702,844	3,952,515	443,792	6,099,151
Current liabilities				
Other payables and accruals	(56,998)	(31,202)	(194,548)	(282,748)
Interest-bearing borrowing	–	–	(290,000)	(290,000)
Tax payable	–	(10,638)	–	(10,638)
Loan from related parties	(1,818,527)	(4,401,148)	(817)	(6,220,492)
Lease liability	(786)	–	(7,162)	(7,948)
Contract liability	–	–	(5,000)	(5,000)
Total current liabilities	(1,876,311)	(4,442,988)	(497,527)	(6,816,826)
Net current liabilities	(173,467)	(490,473)	(53,735)	(717,675)
Non-current liabilities				
Deferred tax liabilities	–	(1,163)	–	(1,163)
Lease liabilities	–	–	(2,067)	(2,067)
Total non-current liabilities	–	(1,163)	(2,067)	(3,230)
Net (liabilities)/assets disposed of	(112,243)	(490,670)	6,175	(596,738)
Net cash outflow on disposal				
Cash received				301,230
Offset of amount owned to the Disposal group by the Group				(290,000)
Less: cash and cash equivalent disposed				(174,764)
				(163,534)
Deemed capital contribution arising from disposal of subsidiaries				
Consideration received				33,216
Net liabilities disposed of				(596,738)
				(563,522)

42. 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 2020 and 2019.

43. 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.

(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 2020.

43. Related Party Transactions (continued)

(b) (continued)

Details as follow:

	2020				2019			
	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)	-	-	-	354,252	–	–	–	842,538
Ultimate holding company (ii)	-	-	-	-	–	–	–	137,069
Fellow subsidiary (iii)	-	480	-	-	–	555	–	–
Fellow subsidiary (iv)	-	-	-	-	–	–	–	96
Fellow subsidiary (v)	-	-	10,354	-	–	–	14,150	–
Fellow subsidiary (vi)	-	-	-	29,309	–	–	–	53,286
Immediate holding company (vii)	-	-	-	109,503	–	–	2,800	125,724
Associate (viii)	23,418	-	-	-	23,570	–	–	–
	23,418	480	10,354	493,064	23,570	555	16,950	1,158,713

(i) The Group had loans amounting to approximately US$605,115,000 (equivalent to approximately HK$4,691,214,000) (2019: US$1,161,685,000 (equivalent to approximately HK$9,048,335,000)) from its intermediate holding company for the operation of the Group's business. Please refer to note 32 for details of loans and note 31 for the interest payable of the loans. As a result, HK$354,252,000 finance cost (2019: HK$842,538,000) was resulted for the year ended 31 December 2020.

(ii) As at 31 December 2019, the ultimate holding company provided an aggregate amount of RMB1,595,000,000 (equivalent to HK$1,813,200,000) company loans. The loans bear annual interest rates of 6.87% to 8.24% and were repaid during 2019. As at 31 December 2020, no interest (2019: HK$137,069,000) is accrued from these company loans during the year.

(iii) During the year ended 31 December 2020, the Group earned underwriting income of US$61,920 (equivalent to approximately HK$480,000) (2019: US$70,900 (equivalent to approximately HK$555,000) from its fellow subsidiary in respect of the issuance of medium term notes.

43. Related Party Transactions (continued)

(b) (continued)

(iv) During the year ended 31 December 2019, the Disposal group entered into several new lease agreements for the use of leased office and motor vehicles with related parties for one year. The Group has recognised right-of-use assets and lease liabilities of HK$4,559,000 and HK$4,559,000 respectively during the reporting period. The relevant lease liabilities were derecognised upon disposal of the Disposal group. The interest of HK$96,000 for the year ended 31 December 2019 represented the interest arising from the lease liabilities with these related parties.

(v) During the year, other income amounted to HK$10,354,000 (2019: nil) generated from a fellow subsidiary in respect of rental of property. On 5 May 2019, Acute Peak waived an accrued interest of HK$14,150,000 for the period from 13 April 2016 to 6 May 2019 arising from a borrowing of principal amount of HK$250 million. The Group recognised the waived amount as other income from a discontinued operation.

(vi) During the year, the Group had a loan denominated in RMB of approximately RMB$499,400,000 (equivalent to approximately HK$593,365,000) (2019: a loan denominated in HKD of HK$86,361,000, a loan denominated in RMB of RMB521,400,000 (equivalent to approximately HK$582,063,000) and a loan denominated in USD of USD10,200,000 (equivalent approximately HK$79,435,000)) from its fellow subsidiary for the operation of the Group's business. Please refer to note 32 for details of loans and note 31 for the interest payable of the loans. As a result, HK$29,309,000 finance cost (2019: HK$53,286,000) was resulted for the year ended 31 December 2020.

(vii) During the year, the Group had the loans amounting to approximately US$260,940,000 (equivalent to approximately HK$2,022,962,000) (2019: the Group had loans denominated in USD of US$345,000,000 (equivalent to approximately HK$2,686,808,000) and loans denominated in HKD of HK$58,529,000 respectively) from its immediate holding company for the operation of the Group's business. Please refer to note 32 for details of loans and note 31 for the interest payable of the loans. As a result, HK$109,503,000 finance cost (2019: HK$125,724,000) was resulted for the year ended 31 December 2020. Furthermore, during the year ended 31 December 2019, the Group earned management fee income of HK$2,800,000 from an immediate holding company.

(viii) During the year ended 31 December 2020, the Group earned interest income of HK$23,418,000 (2019: HK$23,570,000) from an associate.

43. Related Party Transactions (continued)

(b) (continued)

The related party transactions in respect of item (iii) 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 2020. 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, 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 2020. Please refer to note 26 for nature of amount due from/(to) related parties.

44. 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 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
Amount 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

44. Financial Instruments by Category (continued)

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. Financial Instruments by Category (continued)

31 December 2019 (restated)

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	–	4,242	–	4,242
Advances to customers in margin financing	–	2,883,671	–	2,883,671
Accounts receivable	–	113,321	–	113,321
Deposits and other receivables	–	146,837	–	146,837
Other loans and debt instruments	–	2,057,565	–	2,057,565
Amount due from an associate	–	316,189	–	316,189
Amount due from related parties	–	1,838	–	1,838
Financial assets at FVTPL	7,541,916	–	–	7,541,916
Financial assets at FVTOCI	–	–	3,967,431	3,967,431
Finance lease receivables	–	1,005,568	–	1,005,568
Restricted bank balances	–	389,202	–	389,202
Deposits in other financial institutions	–	89,957	–	89,957
Cash and cash equivalents	–	3,997,190	–	3,997,190
	7,541,916	11,005,580	3,967,431	22,514,927

44. Financial Instruments by Category (continued)

Financial liabilities

	Financial liabilities at FVTPL HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Accounts payable	–	1,355,529	1,355,529
Other payables	–	418,499	418,499
Interest-bearing borrowings	–	15,969,819	15,969,819
Amount due to related parties	–	54,358	54,358
Lease liabilities	–	262,603	262,603
Repurchase agreements	–	1,842,271	1,842,271
Financial liabilities at FVTPL	40,437	–	40,437
	40,437	19,903,079	19,943,516

45. 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).

45. 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)
(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)

45. 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						
(9)	**Unlisted bonds, convertible bonds: HK$471,389**	Level 3	Notes (f), (j)	Liquidity spread: 7.88%	1,000 basis points	Decrease/increase in liquidity spread: HK$283,000/ HK$(279,000)
				Net asset value		Increase/decrease in net asset value of HK$38,941,000/ HK$(38,941,000)
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)

45. 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 2019 are as follows:

	Fair value as at 31 December 2019 (Restated) 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$1,005,178	Level 1	Note (a)	N/A	N/A	N/A
(2)	Unlisted put option: HK$684,972	Level 3	Note (i)	Expected volatility of ranging from 30.87% to 45.40%	1,000 basis points (volatility ranging from 27.78% to 45.80%)	Increase/decrease in volatility: HK$34,955,000/ HK$(34,913,000)
(3)	Listed fixed income securities: HK$2,978,148	Level 2	Note (b)	N/A	N/A	N/A
(4)	Unlisted fund investments: HK$1,278,604	Level 2	Note (g)	N/A	N/A	N/A
(5)	Unlisted fund investments: HK$167,574	Level 3	Note (h)	Net asset value	1,000 basis points	Increase/decrease in net asset value of HK$16,757,000/ HK$(16,757,000)
(6)	Unlisted fund investments: HK$791,043	Level 3	Note (b) and (f)	Net asset value	1,000 basis points	Increase/decrease in net asset value of HK$79,104,000/ HK$(79,104,000)
(7)	Unlisted foreign exchange forward contracts: HK$38,939	Level 2	Note (b)	N/A	N/A	N/A

45. 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 2019 (Restated) 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 bonds, convertible bonds and exchangeable note: HK$570,371	Level 3	Note (f), (i)	Volatility: 43.61%	1,000 basis points	Increase/decrease in volatility: HK$134,000/ HK$(62,000)
				Liquidity spread: 7.88%		Decrease/increase in liquidity spread: HK$1,158,000/ HK$(1,134,000)
				Net asset value		Increase/decrease in net asset value of HK$40,912,000/ HK$(40,912,000)
(9)	Unlisted equity forward contracts: HK$26,110	Level 2	Note (c)	N/A	N/A	N/A
(10)	Unlisted foreign exchange option contracts: HK$977	Level 2	Note (b)	N/A	N/A	N/A
Financial assets at FVTOCL						
(11)	Listed fixed income securities: HK$3,967,431	Level 2	Note (b)	N/A	N/A	N/A

45. 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 liabilities						
(1) Financial liabilities classified as financial assets at FVTPL	**Unlisted foreign exchange forward contracts: HK$53,282**	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 2019 are as follows:

	Fair value as at 31 December 2019 (Restated) 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						
(1) Payables to interest holders of unlisted consolidated investment funds, measured at FVTPL	Non-controlling interests in consolidated investment fund: HK$39,023	Level 2	Note (e)	N/A	N/A	N/A
(2) Financial liabilities classified as financial assets at FVTPL	Unlisted foreign exchange swap: HK$1,414	Level 2	Note (b)	N/A	N/A	N/A

45. 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 based on the contractual selling price entered on 24 December 2019 with an independent third party and the closing price of the listed equity securities at the end of the year of 2019.

(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) Share of net asset value based on (i) the fair value of underlying investments which are publicly traded equity investments and (ii) the terms of the consolidated investment funds.

(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 represents 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 their fair values.

45. 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 2020

	Fair value measurement			
	(Level 1) HK$'000	**(Level 2) HK$'000**	**(Level 3) HK$'000**	**Total HK$'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**

31 December 2019 (restated)

	Fair value measurement			
	(Level 1) HK$'000	(Level 2) HK$'000	(Level 3) HK$'000	Total HK$'000
Financial assets at FVTPL	1,005,178	4,322,778	2,213,960	7,541,916
Financial assets at FVTOCI	–	3,967,431	–	3,967,431
	1,005,178	8,290,209	2,213,960	11,509,347
Financial liabilities at FVTPL	–	40,437	–	40,437

45. 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:

	2020	2019
		(Restated)
	HK$'000	HK$'000
Financial assets:		
At beginning of the year	**2,213,960**	9,347,886
Transfer into Level 3	**942,627**	91,303
Transfer out to level 2	**–**	(74,413)
Purchased during the year	**11,881**	146,179
Disposed during the year	**(149,176)**	(7,496,489)
Total gain or loss in profit or loss, or other comprehensive income	**(273,346)**	199,494
At the end of the year	**2,745,946**	2,213,960

	2020	2019
		(Restated)
	HK$'000	HK$'000
Financial liabilities:		
At beginning of the year	**–**	78,976
Total gain in profit or loss	**–**	59,552
Settled during the year	**–**	(138,528)
At the end of the year	**–**	–

During the year, the total loss for the year included in profit or loss, or other comprehensive income were loss of HK$273,346,000 (2019: gain of HK$199,494,000) relates financial assets at FVTPL and financial asset at FVTOCI and nil (2019: gain of HK$59,552,000) relates financial liabilities at FVTPL. There are no other assets transferred to different levels except the one in 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".

46. 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 receivables, accounts receivable, interest receivable, deposit and other receivables, restricted bank balances, cash and cash equivalents, accounts payable, amount due from an associate, interest-bearing borrowings, other payables, 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	**2020** **HK$'000**	2019 (Restated) HK$'000
Financial assets at FVTPL	USD	**3,046,506**	5,172,415
	RMB	**59,338**	77,872
Accounts receivable	RMB	**3,012**	52,378
	USD	**58,168**	–
Finance lease receivables	RMB	**995,567**	1,005,568
Other receivables	USD	**161,581**	11,331
	RMB	**9,262**	–
Financial assets at FVTOCI	USD	**2,551,461**	3,967,431
Restricted bank balances	USD	**6,692**	252,071
	RMB	**243**	351
Cash and cash equivalents	USD	**509,437**	775,810
	RMB	**270,882**	256,808
	EUR	**1,789**	5,805
	GBP	**59**	–
	JPY	**9**	9

46. Financial Risk Management Objectives and Policies (continued)

Foreign currency risk (continued)

	Foreign currency	2020	2019 (Restated)
		HK$'000	HK$'000
Deposits in other financial Institutions	USD	**4,554**	–
Other loans and debt Instruments	RMB	**516,804**	460,541
	USD	**171,796**	186,067
Accounts payable	USD	**(297,753)**	(1,199,061)
	RMB	**(243)**	(297)
Interest-bearing borrowings	USD	**(7,326,632)**	(12,534,530)
	RMB	**(710,667)**	(792,899)
Other liabilities, payables and accruals	RMB	**(94,252)**	(58,665)
	USD	**(31,701)**	–
Financial liabilities at FVTPL	USD	**–**	(1,414)
	RMB	**(53,282)**	–
Repurchase agreements	USD	**(1,252,605)**	(1,842,271)

As USD is pegged to HK$, the Group does not expect any significant movement in the USD/HK$ 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 2020

	Increase/decrease in loss after tax HK$'000
If HK$ strengthens/weakens against RMB by 5%	**44,700**

As at 31 December 2019

	Increase/decrease in loss after tax HK$'000
If HK$ strengthens/weakens against RMB by 5%	27,056

46. 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% (2019: 5% and 10%) 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 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 asset at FVTPL:				
– Unlisted fund investments	increase/ decrease 5%	48,003	2,004/ (2,004)	–
– Listed equity income securities	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)	–
– Unlisted foreign exchange option contracts	increase/ decrease 5%	–	–	–
– Unlisted equity forward contracts	increase/ decrease 5%	–	–	–

46. Financial Risk Management Objectives and Policies (continued)

Other price risk (continued)

As at 31 December 2020 (continued)

	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 asset 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)	–

46. Financial Risk Management Objectives and Policies (continued)

Other price risk (continued)

As at 31 December 2019

	Increase/ (decrease) in prices of underlying instrument	Carrying amount (Restated) HK$'000	Increase/ (decrease) in profit after tax (Restated) HK$'000	Increase/ (decrease) in other comprehensive income (Restated) HK$'000
Financial asset at FVTPL:				
– Unlisted fund investments	increase/ decrease 5%	37,956	1,585/ (1,585)	–
– Listed equity investments	increase/ decrease 5%	1,005,178	41,966/ (41,966)	–
– Listed fixed income securities	increase/ decrease 5%	2,978,148	124,338/ (124,338)	–
– Unlisted fixed income securities	increase/ decrease 5%	509,170	21,258/ (21,258)	–
– Unlisted put options on listed equity investments at fair value	increase/ decrease 5%	684,972	28,598/ (28,598)	–
– Unlisted foreign exchange forward contracts	increase/ decrease 5%	38,939	1,626/ (1,626)	–
– Unlisted foreign exchange option contracts	increase/ decrease 5%	977	41/ (41)	–
– Unlisted equity forward contracts	increase/ decrease 5%	26,110	1,090/ (1,090)	–
Financial asset at FVTOCI	increase/ decrease 5%	3,967,431	–	165,640/ (165,640)
Financial liabilities at FVTPL:				
– Unlisted foreign exchange swaps	increase/ decrease 5%	1,414	59/ (59)	–
– Payables to interest holders of unlisted consolidated investment funds, measured at FVTPL	increase/ decrease 5%	39,023	1,629/ (1,629)	–

46. 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 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, accounts payable, loans from ultimate 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 Hong Kong Prime Rate, HIBOR and LIBOR 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 and cash and cash equivalents are insignificant and are excluded from sensitivity analysis. As at 31 December 2020, if the interest rate had been 50 basis points (2019: 50 basis points) higher/lower, the Group's loss after tax would decrease/increase by HK$2,172,000 (2019: loss after tax would decrease/increase by HK$3,165,000).

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 (2018: 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.

46. 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

46. 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	2020 Gross carrying amount HK$'000	2019 Gross carrying amount (Restated) HK$'000
Financial assets at FVTOCI	18	Pass	12m ECL	**1,996,959**	3,755,699
		Special Mention – Low risk	Lifetime ECL – not credit-impaired	**435,688**	32,601
		Substandard	Lifetime ECL – credit-impaired	**28,930**	179,135
		Doubtful	Lifetime ECL – credit-impaired	**89,884**	–
Financial assets at amortised cost					
Other long term assets	14	Pass	12m ECL	**5,081**	4,242
Finance lease receivables	19	Pass	12m ECL	**158,196**	204,404
		Special Mention – low risk	Lifetime ECL – not credit-impaired	**–**	47,807
		Special Mention – high risk	Lifetime ECL – credit-impaired	**730,342**	581,472
		Substandard	Lifetime ECL – credit-impaired	**433,746**	443,570
		Doubtful	Lifetime ECL – credit-impaired	**67,130**	62,835
Other loans and debt instruments	20	Pass	12m ECL	**150,094**	113,992
		Special Mention – low risk	Lifetime ECL – not credit-impaired	**1,007,783**	415,257
		Special Mention – high risk	Lifetime ECL – credit-impaired	**1,145,557**	1,494,318
		Substandard	Lifetime ECL – credit-impaired	**1,702,758**	438,835
		Doubtful	Lifetime ECL – credit-impaired	**2,112,132**	360,000
Amount due from an associate	21	Pass	12m ECL	**–**	328,661
		Substandard	Lifetime ECL – credit-impaired	**327,761**	–
Advances to customers in margin financing	22	Pass	12m ECL	**37,274**	602,478
		Special Mention – low risk	Lifetime ECL – not credit-impaired	**8**	854,141
		Substandard	Lifetime ECL – credit-impaired	**363,061**	2,757,447
		Doubtful	Lifetime ECL – credit-impaired	**513,293**	–
Accounts receivable	23	Pass	12m ECL	**90,429**	100,508
		Special Mention – low risk	Lifetime ECL – not credit-impaired	**74,455**	456
		Substandard	Lifetime ECL – credit-impaired	**–**	94,767
		Doubtful	Lifetime ECL – credit impaired	**91,164**	–
Deposits and other receivables	24	Pass	12m ECL	**142,484**	147,850
		Substandard	Lifetime ECL – credit-impaired	**38,853**	14,170
Amount due from related parties	26	Pass	12m ECL	**3,825**	1,838
Restricted bank balances	27	Pass	12m ECL	**380,295**	389,202
Deposits in other financial institutions	28	Pass	12m ECL	**16,921**	89,957
Pledged bank deposit	29	Pass	12m ECL	**13,000**	–
Cash and cash equivalents	29	Pass	12m ECL	**1,720,916**	3,997,190

46. 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 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 2019	6,863,409	–	–	6,863,409
As at 31 December 2019 and 1 January 2020	**3,755,695**	**32,601**	**179,135**	**3,967,431**
As at 31 December 2020	**1,996,959**	**435,688**	**118,814**	**2,551,461**

The following are the main changes in the gross carrying amount of financial assets at fair value through other comprehensive income:

– Gross carrying amount of HK$435,688,000 (2019: HK$32,601,000) of financial assets at fair value through other comprehensive income measured in lifetime ECL (not credit-impaired) are transferred from financial assets at fair value through other comprehensive income measured in 12 month ECL. Financial assets at fair value through other comprehensive income measured in lifetime ECL (not credit-impaired) of HK$32,601,000 in 31 December 2019 has been settled in 2020.

– In financial assets at fair value through other comprehensive income measured in lifetime ECL (credit-impaired) of HK$118,814,000, gross carrying amount of HK$46,956,000 (2019: HK$179,135,000) of financial assets at fair value through other comprehensive income measured in lifetime ECL (credit-impaired) are transferred from financial assets at fair value through other comprehensive income measured in 12 month ECL. The remaining financial assets at fair value through other comprehensive income measured in lifetime ECL (credit-impaired) of HK$71,858,000 are came from financial assets at fair value through other comprehensive income measured in lifetime ECL (credit-impaired) in 2019.

– Gross carrying amount of financial assets at fair value through other comprehensive income 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.

46. Financial Risk Management Objectives and Policies (continued)

Credit risk and Impairment assessment (continued)

Movement in the allowances 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 2019	17,132	4,233	–	21,365
Assets derecognised or repaid	(8,192)	(714)	–	(8,906)
Changes to risk parameters	3,172	(1,361)	–	1,811
Transfer of stages	(3,185)	(225)	3,410	–
Changes arising from transfer of stages	(198)	–	106,928	106,730
ECL allowance as at 31 December 2019 and 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	2,727	673	219,684	223,084

46. 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:

	12-month ECL HK$'000	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 January 2019 (restated)	6,852,357	–	2,645,621	9,497,978
As at 31 December 2019 and 1 January 2020 (restated)	**113,992**	**415,257**	**2,293,153**	**2,822,402**
As at 31 December 2020	**150,094**	**1,007,783**	**4,960,447**	**6,118,324**

The following are the main changes in the gross carrying amount of other loans and debt instruments:

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 .

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$2,999,775,000 (2019: HK$ nil) 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.

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.

46. Financial Risk Management Objectives and Policies (continued)

Credit risk and Impairment assessment (continued)

Movement in the loss allowance for impairment that has been recognised for other loans and debt instruments is 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 2019 (restated)	54,385	–	335,228	389,613
Transfer of stages	(33,312)	10,237	23,075	–
Changes arising from transfer of stages	–	–	306,699	306,699
Changes to risk parameters	(13,836)	(3,911)	944,368	926,621
New assets originated or purchased	498	–	–	498
Assets that have been derecognised	(7,237)	–	–	(7,237)
Assets that have been derecognised due to disposal of subsidiaries	–	–	(845,002)	(845,002)
Foreign exchange adjustments	–	–	(6,355)	(6,355)
ECL allowance as at 31 December 2019 and 1 January 2020 (restated)	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	49	28,663	2,978,884	3,007,596

Note:

During the year ended 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 detailed in note 20.

46. 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 HK$'000	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 January 2019	3,566,820	–	904,112	4,470,932
As at 31 December 2019 and 1 January 2020	**602,478**	**854,141**	**2,757,447**	**4,214,066**
As at 31 December 2020	**37,274**	**8**	**876,354**	**913,636**

The following are the main changes in the gross carrying amount of advances to customers in margin financing:

– 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.

46. Financial Risk Management Objectives and Policies (continued)

Credit risk and Impairment assessment (continued)

– 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.

– 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.

46. Financial Risk Management Objectives and Policies (continued)

Credit risk and Impairment assessment (continued)

Movement in the allowances for impairment that has been recognised for advances to customers in margin finance 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 2019	2,351	–	396,157	398,508
Transfer of stages	(1,991)	155	1,836	–
Changes arising from transfer of stage	–	105	839,154	839,259
Changes to risk parameters	(87)	–	92,771	92,684
New assets originated or purchased	5	–	–	5
Assets derecognised or repaid	(61)	–	–	(61)
ECL allowance as at 31 December 2019 and 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	47	–	823,406	823,453

Note:

During the year ended 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 detailed in note 22.

46. 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 HK$'000	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 January 2019	1,276,806	161,540	151,709	1,590,055
As at 31 December 2019 and 1 January 2020	**204,404**	**47,807**	**1,087,877**	**1,340,088**
As at 31 December 2020	**158,196**	**–**	**1,231,218**	**1,389,414**

The following are the main changes in the gross carrying amount of finance lease receivables:

Finance lease receivables with a gross carrying amount of HK$102,353,000 (2019: HK$67,683,000) 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.

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.

46. Financial Risk Management Objectives and Policies (continued)

Credit risk and Impairment assessment (continued)

Movement in the allowances for impairment that has been recognised finance lease receivables is 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 2019	49,865	10,550	77,729	138,144
Transfer of stages	(32,755)	(3,020)	35,775	–
Changes to risk parameters	(13,376)	(5,710)	222,052	202,966
Foreign exchange adjustment	(111)	(43)	(6,436)	(6,590)
ECL allowance as at 31 December 2019 and 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	2,525	–	391,322	393,847

46. 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 2020

	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'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

46. Financial Risk Management Objectives and Policies (continued)

Liquidity risk (continued)

As at 31 December 2019 (Restated)

	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	1,355,112	417	–	–	–	1,355,529
Other payables and accruals	–	157,855	240,763	19,881	–	418,499
Interest bearing borrowings	2,642,528	1,140,097	3,073,155	4,690,015	4,424,024	15,969,819
Lease Liabilities	–	32,295	56,915	173,393	–	262,603
Repurchase agreements	–	1,842,271	–	–	–	1,842,271
Financial liabilities at FVTPL	–	–	40,437	–	–	40,437
	3,997,640	3,172,935	3,411,270	4,883,289	4,424,024	19,889,158

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 2020, the aggregate carrying amounts of these bank loans amounted to HK$3,111,456,000 (2019: HK$2,642,528,000). 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. The directors believe that such bank loans will be repaid within one year after the end of the reporting period.

47. Financial Assets and Financial Liabilities Offsetting

The disclosures set out in the tables below include 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.

47. Financial Assets and Financial Liabilities Offsetting (continued)

Except for 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 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$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Related amounts not set off in the consolidated statement of financial position: Collateral received 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.

47. 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$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Related amounts not set off in the consolidated statement of financial position: Collateral paid 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.

As at 31 December 2019 (restated)

	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$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Related amounts not set off in the consolidated statement of financial position: Collateral received HK$'000	Net amount HK$'000
Description						
Advances to customers in margin financing and accounts receivable	2,996,132	(40,352)	2,955,780	–	(2,883,655)	72,125

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements.

47. Financial Assets and Financial Liabilities Offsetting (continued)

As at 31 December 2019

	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$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Related amounts not set off in the consolidated statement of financial position: Collateral paid HK$'000	Net amount HK$'000
Description						
Accounts payable	(1,395,530)	40,352	(1,355,178)	–	–	(1,355,178)

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements.

	2020 **HK$'000**	2019 (Restated) HK$'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	**177,481**	2,955,780
Amount not in scope of offsetting disclosure	**77,586**	41,212
Total amount of advances to customers in margin financing and accounts receivable stated in notes 22 and 23	**255,067**	2,996,992
Accounts payable		
Net amount of accounts payable as stated above	**(616,210)**	(1,355,178)
Amount not in scope of offsetting disclosure	**(362)**	(351)
Total amount of accounts payable stated in note 30	**(616,572)**	(1,355,529)

48. 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 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.

49. 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$'000	**Amount due to related parties** HK$'000
At 1 January 2019 (restated)	375,168	32,483,763	232,657	212,235
Changes from financing cash flows	(124,878)	(10,004,269)	(1,450,256)	(157,877)
Additions	7,519	–	–	–
Interest expenses from continuing operations and a discontinued operation	14,840	–	1,580,449	–
Derecognised upon disposal of subsidiaries	(10,015)	(6,509,675)	–	–
Foreign exchange difference	(31)	–	–	–
At 31 December 2019 and 1 January 2020 (restated)	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	141,855	10,666,299	424,396	59,341

49. Reconciliation of Liabilities and Related Assets Arising from Financing Activities (Continued)

During the year, the Group had non-cash transactions in right-of-use assets of HK$43,405,000, lease liabilities of HK$22,792,000 and other payables of HK$20,613,000, respectively, in respect of lease arrangements for plant and equipment. During the year, 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:

	2020	2019
	HK$'000	HK$'000
Within financing activities	**(109,565)**	(124,878)

50. Statement of Financial Position and Reserves of the Company

	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS		
Property and equipment	**3,799**	1,299
Right-of-use assets	**997**	101,160
Investments in subsidiaries	**1,305,886**	–
Financial assets at fair value through other comprehensive income	**1,591,337**	2,055,607
Amount due from an associate	**–**	314,262
Deferred tax assets	**52,232**	52,232
Total non-current assets	**2,954,251**	2,524,560
CURRENT ASSETS		
Due from subsidiaries	**5,811,613**	7,949,502
Financial assets at fair value through other comprehensive income	**960,124**	1,635,420
Financial assets at fair value through profit or loss	**1,220,436**	1,925,116
Amount due from an associate	**–**	1,927
Accounts receivable	**56,492**	49,458
Prepayments, deposits and other receivables	**29,623**	51,626
Tax recoverable	**53,745**	53,745
Cash and cash equivalents	**643,030**	915,662
Total current assets	**8,775,063**	12,582,456
CURRENT LIABILITIES		
Due to subsidiaries	**590,621**	398,246
Accounts payable	**219,904**	948,433
Other payables and accruals	**63,837**	78,342
Repurchase agreements	**1,252,605**	1,745,170
Interest-bearing borrowings	**2,811,456**	5,796,568
Lease liabilities	**273**	49,107
Total current liabilities	**4,938,696**	9,015,866
NET CURRENT ASSETS	**3,836,367**	3,566,590
TOTAL ASSETS LESS CURRENT LIABILITIES	**6,790,618**	6,091,150

50. Statement of Financial Position and Reserves of the Company (continued)

	2020 HK$'000	2019 HK$'000
NON-CURRENT LIABILITIES		
Other payables and accruals	**126**	1,179
Interest-bearing borrowings	**4,691,214**	5,449,796
Lease liabilities	**1,057**	55,178
	4,692,397	5,506,153
Net assets	**2,098,221**	584,997
EQUITY		
Issued capital	**8,710**	3,588
Perpetual capital securities classified as equity instruments	**2,755,872**	1,207,430
Reserves	**(666,361)**	(626,021)
Total equity	**2,098,221**	584,997

50. Statement of Financial Position and Reserves of the Company (continued)

Movement 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 2019	1,632,380	139,615	–	(420,113)	(600,467)	751,415	1,208,369	1,959,784
Loss for the year	–	–	–	–	(1,581,412)	(1,581,412)	66,025	(1,515,387)
Fair value gain on financial assets at FVTOCI	–	–	–	52,410	–	52,410	–	52,410
Net provision for impairment of financial assets at FVTOCI included in profit or loss	–	–	–	99,635	–	99,635	–	99,635
Reclassification adjustment relating to disposal of financial assets at FVTOCI	–	–	–	18,715	–	18,715	–	18,715
Total comprehensive loss for the year	–	–	–	170,760	(1,581,412)	(1,410,652)	66,025	(1,344,627)
Distribution relating to perpetual capital securities	–	–	–	–	–	–	(66,964)	(66,964)
Disposal of subsidiaries	–	–	33,216	–	–	33,216	–	33,216
At 31 December 2019 and 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 gain 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 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	**2,933,144**	**139,615**	**33,216**	**(209,561)**	**(3,562,775)**	**(666,361)**	**2,755,872**	**2,089,511**

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.

51. Comparative amounts

In respect of the acquisition of an entity under common control, as explained in Note 38, the Group has applied merger accounting method for the business combination under common control. Comparative amounts in the financial statements have been restated as if the combination had occurred at the beginning of year 2019.

52. Events After the End of the Reporting Period

After the end of the year, the Group has the following subsequent events:

(1) Mr. Yang Rungui resigned as Chairman of the Board and an executive Director, and Mr. Xu Xiaowu was appointed as Chairman of the Board and an executive Director, which were effective on 4 January 2021.

(2) HRIV entered into a facility letter with a bank in relation to revolving loan facility in an aggregate amount of US$10,000,000 (or its equivalent amount in HKD), and signed a revolving loan facility letter with a bank for a facility up to an aggregate amount of HK$200,000,000; the Company and HRIS entered into a revolving loan facility letter with a bank for facilities up to an aggregate of HK$200,000,000 and HK$100,000,000 respectively; the Company entered into a supplemental facility letter with a bank on 28 April 2021 to renew a facility in an aggregate amount of up to US$100,000,000 or equivalent in Hong Kong dollars to 31 August 2021, which has been further renewed to 31 October 2021 subsequently. For further details about these facilities, please refer to the announcements of the Company dated 15 January 2021, 20 January 2021, 25 March 2021, 28 April 2021 and 26 July 2021.

(3) In late December 2020, Huarong Shengyuan (Beijing) Investment Co. Ltd. (華融晟遠（北京）投資有限公司) ("Huarong Shengyuan"), a wholly-owned subsidiary of the Company, published an announcement on the website of Tianjin Financial Assets Exchange ("TJFAE") in relation to the commencement of official procedures for the disposal of creditors' rights assets (including primary creditor's rights and guarantee rights) ("Creditors' Rights"). The primary creditor's rights owed by Qingdao Jiayaohua Realty Co., Ltd. (青島嘉耀華置業有限公司) to Huarong Shengyuan. On 30 December 2020, Huarong Shengyuan received a notification from TJFAE stating that, following the eligibility vetting process performed by TJFAE, one interested assignee fulfilling the assignment conditions, namely Zhongwei Group (Qingdao) Co., Ltd. (中巍集團（青島）有限公司) ("Zhongwei Qingdao"), had been solicited for the assignment. On 30 December 2020 (after the close of trading hours), Huarong Shengyuan entered into a creditor's right assignment agreement with Zhongwei Qingdao for the assignment of all interests in the Creditors' Right at a final consideration of RMB680 million in accordance with the rules of TJFAE (the "Assignment"). Transaction circular was announced to the public as at 25 February 2021. RMB 20 million deposit was received on at the end of 2020. Huarong Shengyuan has further received RMB 260 million transfer price paid by Zhongwei Qingdao from 1 January 2021 to the date of this report. Huarong Shengyuan has been in close contact with Zhongwei Qingdao to actively promote the payment of the remaining transfer price by Zhongwei Qingdao. Based on the above development, full impairment reversal could not be recognised in the current year given the transaction yet to complete in the date of this report.

52. Events After the End of the Reporting Period (continued)

(4) (4) On 18 August 2021, the board of directors of China Huarong Asset Management Co., Ltd. ("**China Huarong**"), the ultimate holding company, announced that, China Huarong signed investment framework agreements (the "**Framework Agreements**") with CITIC Group Corporation, China Insurance Investment Co., Ltd., China Life Asset Management Company Limited and China Cinda Asset Management Co., Ltd. and Sino-Ocean Capital Holding Limited respectively.

Subject to the approval and consent of relevant regulatory authorities and without affecting the listing status of China Huarong on The Stock Exchange of Hong Kong Limited, the above companies intend to make strategic investments in China Huarong by subscribing the newly issued shares of China Huarong. The Framework Agreements are not binding formal share subscription documents. If the Potential Strategic Investment is implemented, it will effectively replenish the capital of China Huarong.

53. Deed of Undertaking to a Fund

A subsidiary of the Company ("**subsidiary X**") acted as 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 party 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 management fee of 0.5% per annum of the capital commitment of each limited partner. If the investment return is greater than 6% per annum, the excess will be received by the subsidiary Y as performance fee. Subsidiary Y is also entitled to receive 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 Y as at 31 December 2020 and 31 December 2019.

54. Approval of Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 28 August 2021.

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 entity under common control in 2020. The comparative information for the year 2019 has been restated accordingly. However, the results for the years ended 31 December 2018, 2017 and 2016 have not been restated.

Results

	1.1.2020 to 31.12.2020	1.1.2019 to 31.12.2019 (Restated)	1.1.2018 to 31.12.2018	1.1.2017 to 31.12.2017	1.1.2016 to 31.12.2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover:					
Continuing operations	**841,008**	2,178,379	2,271,555	2,834,890	1,402,029
Discontinued operations	**–**	643,266	–	–	–
	841,008	2,821,645	2,271,555	2,834,890	1,402,029
(Loss)/profit before tax:					
Continuing operations	**(2,664,165)**	(2,955,006)	(1,558,593)	1,264,029	696,853
Discontinued operations	**–**	277,037	–	–	–
	(2,664,165)	(2,677,969)	(1,558,593)	1,264,029	696,853
Income tax (expense)/credit	**(22,075)**	(8,824)	76,454	(258,386)	(145,939)
(Loss)/profit before non-controlling interests	**(2,686,240)**	(2,686,793)	(1,482,139)	1,005,643	550,914
Non-controlling interests classified as equity	**11,469**	421,979	–	–	–
Profit attributable to holder of perpetual capital securities	**(111,403)**	(66,025)	(66,083)	(41,550)	–
(Loss)/profit attributable to owners of the Company	**(2,786,174)**	(2,330,839)	(1,548,222)	964,093	550,914

Assets and Liabilities

	31.12.2020	31.12.2019	31.12.2018	31.12.2017	31.12.2016
		(Restated)			
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**5,394,640**	5,461,010	5,225,568	19,271,737	3,324,620
Current assets	**9,600,564**	17,472,486	29,798,276	27,053,032	18,960,107
Total assets	**14,995,204**	22,933,496	35,023,844	46,324,769	22,284,727
Current liabilities	**(6,762,143)**	(11,004,288)	(19,829,627)	(24,619,927)	(9,097,311)
Non-current liabilities	**(6,851,885)**	(9,317,740)	(13,123,770)	(17,642,020)	(11,900,475)
Total liabilities	**(13,614,028)**	(20,322,028)	(32,953,397)	(42,261,947)	(20,997,786)
	1,381,176	2,611,468	2,070,447	4,062,822	1,286,941

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 and Corporate Governance Report 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 2019
"Latest Practicable Date"	28 August 2021, 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
"US$"	United States dollar, the lawful currency of the United States
"Year"	for the year ended 31 December 2020, being the financial reporting period of this annual report
"%"	per cent.

* *for identification purpose only*