

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



華融投資股份有限公司

HUARONG INVESTMENT STOCK CORPORATION LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2277)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

The board (the “**Board**”) of directors (the “**Directors**”) of Huarong Investment Stock Corporation Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated interim financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2019 (the “**Reporting Period**”) together with the comparative figures for the six months ended 30 June 2018 (the “**Corresponding Period**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	<i>NOTES</i>	Six months ended 30 June	
		2019	2018
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue			
Income from construction services	3	348,309	320,355
Dividend and service income	3	62,921	167,170
Interest income	3	188,171	333,435
		599,401	820,960
Net unrealised losses on financial investments	5	(202,279)	(126,887)
Net realised gains (losses) on financial investments		23,364	(725)
Other gains or losses		800	(13,678)
Net (recognition) reversal of impairment losses under expected credit loss model	6	(102,323)	55,274
Other income		15,823	20,515
Labour costs for construction business		(28,870)	(24,520)
Other staff costs		(28,259)	(51,089)
Material and subcontractor costs		(261,198)	(244,877)
Other construction costs		(72,508)	(27,130)
Other operating expenses		(92,069)	(124,727)
Finance costs		(161,901)	(221,855)
(Loss) profit before tax		(310,019)	61,261
Income tax expense	7	(5,520)	(2,776)
		(315,539)	58,485
(Loss) profit for the period attributable to:			
Ordinary shareholders of the Company		(347,177)	26,680
Holder of the perpetual bond instruments		31,638	31,805
		(315,539)	58,485

	Six months ended 30 June	
<i>NOTES</i>	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Other comprehensive (expenses) income for the period		
<i>Items that may be reclassified subsequently</i>		
<i>to profit or loss:</i>		
Exchange differences arising on translating		
foreign operations	<u>363</u>	<u>(16,442)</u>
	<u>(315,176)</u>	<u>42,043</u>
(Loss) profit and total comprehensive (expenses) income		
for the period attributable to:		
Ordinary shareholders of the Company	(346,814)	10,238
Holder of the perpetual bond instruments	<u>31,638</u>	<u>31,805</u>
	<u>(315,176)</u>	<u>42,043</u>
(Loss) earnings per share (HK cents)		
– Basic	9	
	<u>(19.12)</u>	<u>1.47</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2019

	<i>NOTES</i>	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Plant and equipment	<i>10</i>	108,523	78,239
Intangible asset		1,840	1,840
Right-of-use assets		264,494	–
Financial investments	<i>12</i>	1,046,175	1,746,740
Finance lease receivables	<i>13</i>	732,963	988,144
Loan and debt instruments	<i>11</i>	1,265,278	1,268,288
Rental deposits	<i>14</i>	27,354	27,356
Deferred tax assets		3,605	–
		<hr/>	<hr/>
Total non-current assets		3,450,232	4,110,607
		<hr/>	<hr/>
CURRENT ASSETS			
Contract assets		104,127	130,924
Trade and other receivables	<i>14</i>	275,574	279,909
Financial investments	<i>12</i>	3,483,454	2,975,962
Finance lease receivables	<i>13</i>	495,037	463,767
Loan and debt instruments	<i>11</i>	1,081,335	1,568,867
Amounts due from fellow subsidiaries		664	3,268
Tax recoverable		2,996	6,228
Deposits in other financial institutions		243,201	139,749
Bank balances and cash		1,222,972	738,955
		<hr/>	<hr/>
Total current assets		6,909,360	6,307,629
		<hr/>	<hr/>

	<i>NOTES</i>	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
CURRENT LIABILITIES			
Trade and other payables	<i>15</i>	330,186	331,651
Obligations under finance leases		–	3,782
Interest-bearing borrowings	<i>16</i>	2,676,149	2,221,381
Financial assets sold under repurchase agreements		378,440	511,853
Amount due to fellow subsidiaries		49,928	44,840
Amount due to an intermediate holding company		–	19
Amounts due to related parties		1,083	14,326
Amount due to the immediate holding company		174,072	153,050
Lease liabilities		74,790	–
Contract liabilities		30,000	40,000
Tax payables		35,630	47,538
Derivative financial liabilities		1,056	417
		<hr/>	<hr/>
Total current liabilities		3,751,334	3,368,857
		<hr/>	<hr/>
NET CURRENT ASSETS		3,158,026	2,938,772
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		6,608,258	7,049,379
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Obligations under finance leases		–	3,946
Interest-bearing borrowings	<i>16</i>	4,472,351	4,784,454
Lease liabilities		209,747	–
Deposit from finance lease customers	<i>15</i>	15,950	35,468
Deferred tax liabilities		12,610	9,732
		<hr/>	<hr/>
Total non-current liabilities		4,710,658	4,833,600
		<hr/>	<hr/>
NET ASSETS		1,897,600	2,215,779
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Share capital	<i>17</i>	18,160	18,160
Perpetual capital instruments		1,361,214	1,329,576
Reserves		518,226	868,043
		<hr/>	<hr/>
TOTAL EQUITY		1,897,600	2,215,779
		<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

1. CORPORATE INFORMATION

Huarong Investment Stock Corporation Limited (the “**Company**”) is an exempted company with limited liability incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 29 December 2014. The registered office of the Company is located at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The principal place of operations of the Company is situated at Room 3201, 32/F, Two Pacific Place, 88 Queensway, Hong Kong.

The Company acts as an investment holding company and the principal activities of the Company and its subsidiaries (collectively referred to as the “**Group**”) are (i) direct investments; (ii) financial services and others; and (iii) foundation and substructure construction services.

The unaudited condensed consolidated financial statements of the Group are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance HKAS 34 issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments (including financial assets and liabilities at fair value through profit or loss (“**FVTPL**”) and financial assets at fair value through other comprehensive income (“**FVTOCI**”)), which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKFRS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKASs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases (“**HKAS 17**”), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of 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.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of staff quarters that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straightline basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments (“**HKFRS 9**”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Refundable deposits

Refundable deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sale and leaseback transactions

The Group acts as a buyer-lessor

For a transfer of asset that does not satisfy the requirements of HKFRS 15 Revenue from Contracts with Customers (“**HKFRS 15**”) to be accounted for as a sale of asset, the Group as a buyer-lessor does not recognise the transferred asset and recognises a loan receivable equal to the transfer proceeds within the scope HKFRS 9.

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standards to contracts that were not previously identified as containing a lease.

Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application. For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

In accordance with the transitional provisions in HKFRS 16, the Group:

- recognises a lease liability at the date of initial application for leases previously classified as an operating lease applying HKAS 17. The Group measure that lease liability at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate at the date of initial application; and
- recognises a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying HKAS 17. The Group chooses, on a lease-by-lease basis, to measure that right-of-use asset at either:
 - (i) its carrying amount as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee’s incremental borrowing rate at the date of initial application; or
 - (ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the condensed consolidated statement of financial position immediately before the date of initial application.

The Group has applies the above transitional approach (i) and (ii) to measure the right of use assets on the leases entered by the foundation and substructure construction services segment and other segments respectively.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK\$316,334,000 and right-of-use assets of HK\$299,719,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee’s incremental borrowing rate applied is 4.63%.

	<i>Note</i>	At 1 January 2019 <i>HK\$'000</i>
Operating lease commitments disclosed as at 31 December 2018		356,972
Lease liabilities discounted at relevant incremental borrowing rates		(39,037)
Less: Recognition exemption – short-term leases		<u>(9,329)</u>
Lease liabilities relating to operating leases recognised upon application of HKFRS 16		308,606
Add: Obligations under finance leases recognised at 31 December 2018	<i>(c)</i>	<u>7,728</u>
Lease liabilities as at 1 January 2019		<u><u>316,334</u></u>
Analysed as		
Current		70,720
Non-current		<u>245,614</u>
		<u><u>316,334</u></u>

The carrying amount of right-of-use assets as at 1 January 2019 is presented as follows:

	<i>Note</i>	Right-of-use assets <i>HK\$'000</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		<u>288,381</u>
Amount included in plant and equipment under HKAS 17 – Asset previously under finance leases	<i>(b)</i>	<u>11,338</u>
		<u>299,719</u>
By class:		
Land and buildings		288,381
Machinery		10,054
Motor vehicles		<u>1,284</u>
		<u>299,719</u>

(a) Rent free period

These relate to accrued lease liabilities for leases of properties in which the lessors provided rent-free period. The carrying amount of the lease incentive liabilities as at 1 January 2019 was derecognised at transition.

(b) In relation to assets previously under finance leases, the group recategorised the carrying amount of the relevant assets which were still under lease as at 1 January 2019 amounting to HK\$11,338,000 as right-of-use assets.

(c) The group reclassified the obligation under finance leases of HK\$3,782,000 and HK\$3,946,000 to lease liabilities as current and non-current liabilities respectively at 1 January 2019.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

(d) Before application of HKFRS 16, refundable deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the finance lease receivables and were adjusted to reflect the discounting effect at transition. Accordingly, HK\$8,310,000 was adjusted to deposit from finance lease customers and finance lease receivables.

Sales and leaseback transactions

The Group acts as a buyer-lessor in accordance with the transition provisions of HKFRS 16, sale and leaseback transactions entered into before the date of initial application were not reassessed. Upon application of HKFRS 16, the Group as a buyer-lessor does not recognise the transferred asset if such transfer does not satisfy the requirements of HKFRS 15 as a sale. There are no new sales and leaseback transactions entered after the date of initial application of HKFRS 16.

The following table summarises the impact of transition to HKFRS 16 on retained profits at 1 January 2019.

	Impact of adopting HKFRS 16 at 1 January 2019 <i>HK\$'000</i>
Retained profits	354,113
Impact at 1 January 2019	<u>(3,003)</u>
	<u><u>351,110</u></u>

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	<i>Note</i>	Carrying amounts Previously Reported at 31 December 2018 <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Carrying amounts under HKFRS 16 at 1 January 2019 <i>HK\$'000</i>
NON-CURRENT ASSETS				
Plant and equipment	<i>(b)</i>	78,239	(11,338)	66,901
Right-of-use assets		–	299,719	299,719
Finance lease receivables	<i>(d)</i>	988,144	(8,247)	979,897
CURRENT ASSETS				
Finance lease receivables	<i>(d)</i>	463,767	(63)	463,704
EQUITY				
Retained earnings		354,113	(3,003)	351,110
CURRENT LIABILITIES				
Trade and other payables	<i>(a), (d)</i>	333,564	(17,285)	316,279
Obligations under finance leases	<i>(c)</i>	3,782	(3,782)	–
Lease liabilities		–	70,720	70,720
NON-CURRENT LIABILITIES				
Obligations under finance leases	<i>(c)</i>	3,946	(3,946)	–
Deposit from finance lease customers	<i>(d)</i>	35,468	(8,247)	27,221
Lease liabilities		–	245,614	245,614

The Directors of the Company consider the impacts of applying HKFRS 16 as a lessor on the Group's condensed consolidated statement of profit or loss and other comprehensive income and cash flows for the current interim period is not significant.

3. REVENUE

Disaggregation of revenue from contracts with customers

For the six months ended 30 June 2019

Segment	Foundation and substructure construction services <i>HK\$'000</i>	Financial services and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Type of service			
Income from construction services	348,309	–	348,309
Income from provision of business consulting services and others	–	27,556	27,556
Total	<u>348,309</u>	<u>27,556</u>	<u>375,865</u>
Geographical markets			
Mainland China	–	22,656	22,656
Hong Kong	348,309	4,900	353,209
Total	<u>348,309</u>	<u>27,556</u>	<u>375,865</u>
Revenue from contracts with customers			375,865
Interest income from loan and debt instruments			100,314
Interest income from finance lease receivables			47,939
Interest income from financial assets at FVTPL			39,918
Dividend income			35,365
Total			<u>599,401</u>

For the six months ended 30 June 2018

Segment	Foundation and substructure construction services <i>HK\$'000</i>	Financial services and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Type of service			
Income from construction services	320,355	–	320,355
Income from provision of business consulting services, financing services and others	–	134,686	134,686
Total	<u>320,355</u>	<u>134,686</u>	<u>455,041</u>
Geographical markets			
Mainland China	–	63,620	63,620
Hong Kong	320,355	71,066	391,421
Total	<u>320,355</u>	<u>134,686</u>	<u>455,041</u>
Revenue from contracts with customers			455,041
Interest income from loan and debt instruments			194,973
Interest income from finance lease receivables			72,452
Interest income from financial assets at FVTPL			66,010
Dividend income			<u>32,484</u>
Total			<u><u>820,960</u></u>

4. OPERATING SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers are the group of persons that allocates resources to and assesses the performance of the operating segments of an entity.

For the management reporting purpose, the Group is currently organised into three business lines. These business lines are the basis on which the Group reports information to its chief operating decision makers, who are the Executive Directors and the senior management of the Company, for the purposes of resource allocation and assessment of segment performance. No operating segments have been aggregated in arriving at the reportable segments of the Group.

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

- (1) Direct investments – direct investment in equities, bonds, funds, derivative instruments, loans and other investments.
- (2) Financial services and others – provision of finance lease services business consulting services, financing services and other related services.
- (3) Foundation and substructure construction services – excavation and lateral support works, pile cap construction and substructure construction for residential, commercial and infrastructure projects and rental of relevant equipment.

Segment revenues and results

The following tables present the revenue and results for the six months ended 30 June 2019 and 2018 and certain assets, liabilities and expenditure information for the Group's operating segments as at 30 June 2019 and 31 December 2018 and for the period then ended.

The following is an analysis of the Group's revenue and results by reportable and operating segments.

Segment revenue represent income from construction services, dividend, interest and service income.

Six months ended 30 June 2019 (unaudited)

	Direct investments <i>HK\$'000</i>	Financial services and others <i>HK\$'000</i>	Foundation and substructure construction services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>175,597</u>	<u>75,495</u>	<u>348,309</u>	<u>599,401</u>
Segment result	<u>(260,679)</u>	<u>(27,351)</u>	<u>(29,719)</u>	(317,749)
Unallocated income and expenses				
Other losses				(3,532)
Other income				15,781
Other operating expenses				(1,512)
Finance costs				<u>(3,007)</u>
Loss before tax				<u>(310,019)</u>

Six months ended 30 June 2018 (unaudited)

	Direct investments <i>HK\$'000</i>	Financial services and others <i>HK\$'000</i>	Foundation and substructure construction services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>308,434</u>	<u>192,171</u>	<u>320,355</u>	<u>820,960</u>
Segment result	<u>(44,840)</u>	<u>119,381</u>	<u>4,263</u>	78,804
Unallocated income and expenses				
Other losses				(13,678)
Other income				12,203
Other operating expenses				(9,476)
Finance costs				<u>(6,592)</u>
Profit before tax				<u>61,261</u>

The accounting policies of the operating segments are same as the Group's accounting policies. Segment result represents the profit earned by each segment without allocation of certain other losses or gains, certain other income, certain other operating expenses, certain finance costs and income tax expense. The Group allocated certain finance costs to segments without allocating the related interest-bearing borrowings to that segment. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	As at 30 June 2019 <i>HK\$'000</i> (Unaudited)	As at 31 December 2018 <i>HK\$'000</i> (Audited)
Segment assets		
Direct investments	7,290,304	6,511,348
Financial services and others	1,420,519	1,700,611
Foundation and substructure construction services	475,289	259,708
Total segment assets	9,186,112	8,471,667
Unallocated corporate assets	1,173,480	1,946,569
Total consolidated assets	10,359,592	10,418,236
Segment liabilities		
Direct investments	1,240,419	1,022,460
Financial services and others	283,611	289,792
Foundation and substructure construction services	554,379	558,543
Total segment liabilities	2,078,409	1,870,795
Unallocated corporate liabilities	6,383,583	6,331,662
Total consolidated liabilities	8,461,992	8,202,457

Included in unallocated corporate assets and liabilities, certain bank balances and cash, certain deposit in other financial institutions, certain plant and equipment, certain right-of-use assets, certain financial investments, amounts due from (to) fellow subsidiaries, certain trade and other receivables, certain rental deposits, amount due to the immediate holding company, certain amount due to an intermediate holding company, certain amounts due to related parties, certain lease liabilities, certain tax payables, certain interest-bearing borrowings, certain deferred tax liabilities and certain trade and other payables were managed in a centralised manner for the purpose of monitoring segment performance and allocating resources between segments.

5. NET UNREALISED LOSSES ON FINANCIAL INVESTMENTS AND NET REALISED GAINS (LOSSES) ON FINANCIAL INVESTMENTS

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net unrealised losses on financial investments		
Unrealised losses on financial assets at fair value through profit or loss	<u>(202,279)</u>	<u>(126,887)</u>
Net realised gains (losses) on financial investments		
Realised gains (losses) on financial assets at fair value through profit or loss	<u>23,364</u>	<u>(725)</u>

6. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSS (“ECL”) MODEL

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Impairment loss (recognised) reversed in respect of:		
– finance lease receivables	(21,269)	5,778
– loan and debt instruments	(50,137)	44,796
– contract assets	993	4,780
– trade and other receivables	(31,910)	(80)
	<u>(102,323)</u>	<u>55,274</u>

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (30 June 2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”), the tax rate of the PRC subsidiaries is 25% (30 June 2018: 25%).

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
Hong Kong	188	11,086
PRC	6,059	19,520
	<u>6,247</u>	<u>30,606</u>
Over provision in prior year:		
PRC	–	(23,241)
	<u>6,247</u>	<u>7,365</u>
Deferred tax	(727)	(4,589)
Income tax expense	<u>5,520</u>	<u>2,776</u>

8. DIVIDENDS

No dividends were paid, declared or proposed by the Company during the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

9. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share attributable to the owners of the Company is based on the following:

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss) earnings		
(Loss) earnings for the purpose of basic (loss) earnings per share	<u>(347,177)</u>	<u>26,680</u>
	Six months ended 30 June	
	2019	2018
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>1,816,000</u>	<u>1,816,000</u>

No diluted (loss) earnings per share were presented as there were no potential ordinary shares in issue for the six months ended 30 June 2019 and 2018.

10. PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired approximately HK\$16,115,000 (six months ended 30 June 2018: HK\$9,749,000) of plant and equipment.

Plant and equipment with a net carrying amount of approximately HK\$13,302,000 (six months ended 30 June 2018: HK\$1,315,000) were disposed of by the Group during the six months ended 30 June 2019, resulting in a net gain on disposal of approximately HK\$4,360,000 (six months ended 30 June 2018: HK\$1,692,000).

11. LOAN AND DEBT INSTRUMENTS

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Loan receivables	825,098	1,285,585
Less: Provision for impairment losses	(11,294)	(17,361)
	813,804	1,268,224
Unlisted debt instruments	1,618,380	1,598,340
Less: Provision for impairment losses	(85,571)	(29,409)
	1,532,809	1,568,931
Total	2,346,613	2,837,155
Analysed for reporting purpose as:		
Current assets	1,081,335	1,568,867
Non-current assets	1,265,278	1,268,288
	2,346,613	2,837,155

At 30 June 2019, the above loan and debt instruments bear fixed interest rates ranging from 7% to 11% per annum (31 December 2018: from 7% to 15% per annum).

Movements in the allowances for impairment are as follows:

	<i>HK\$'000</i>
At 1 January 2018	121,003
Net reversal of impairment losses for the year	(73,537)
Exchange difference arising on translation of foreign operations	(696)
At 31 December 2018 (Audited)	46,770
Net recognition of impairment losses for the period	50,137
Exchange difference arising on translation of foreign operations	(42)
At 30 June 2019 (Unaudited)	96,865

12. FINANCIAL INVESTMENTS

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Financial asset at FVTOCI		
Non-current		
– Unlisted equity security	<u>650</u>	<u>650</u>
Financial assets at FVTPL		
Non-current		
– Unlisted asset management plan	60,579	61,816
– Unlisted fund investments	984,946	1,684,274
	<u>1,045,525</u>	<u>1,746,090</u>
Current		
– Equity securities listed in Hong Kong and Australia	151,672	273,376
– Listed debt instruments (Note)	1,914,208	1,662,879
– Unlisted warrant	–	713
– Unlisted put options on equity securities	154,087	141,787
– Unlisted fund investments	184,311	244,482
– Unlisted debt investments	503,134	–
– Unlisted bonds and convertible bonds	549,194	589,040
– Unlisted foreign exchange forward contracts	26,848	29,445
– Unlisted equity security	–	34,240
	<u>3,483,454</u>	<u>2,975,962</u>
Analysed for reporting purposes as:		
Current assets	3,483,454	2,975,962
Non-current assets	1,046,175	1,746,740
	<u>4,529,629</u>	<u>4,722,702</u>

Note: As at 30 June 2019, the Group entered into repurchase agreements with a financial institution to sell listed debt instruments recognised as financial assets at FVTPL with carrying amount of approximately HK\$509,425,000 (31 December 2018: HK\$654,279,000), which are subject to the simultaneous agreements to repurchase these investments at the agreed date and price. These bonds are not derecognised from the financial statements but regarded as “collateral” for the liabilities as the Group retains substantially all the risks and rewards of those listed debt instruments.

13. FINANCE LEASE RECEIVABLES

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)		
Analysed for reporting purposes as:				
Current assets	495,037	463,767		
Non-current assets	732,963	988,144		
	<u>1,228,000</u>	<u>1,451,911</u>		
	Minimum lease payments	Present value of minimum lease payments		
	30 June	31 December	30 June	31 December
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Finance lease receivables comprise:				
Within one year	646,516	609,969	558,696	507,893
After one year but within two years	445,507	503,978	393,617	432,865
After two years but within five years	459,913	699,222	434,167	649,297
	<u>1,551,936</u>	<u>1,813,169</u>	<u>1,386,480</u>	<u>1,590,055</u>
Less: Unearned finance income	(165,456)	(223,114)	N/A	N/A
	<u>1,386,480</u>	<u>1,590,055</u>	<u>1,386,480</u>	<u>1,590,055</u>
Less: Allowance for impairment losses	(158,480)	(138,144)	(158,480)	(138,144)
Carrying amount of lease receivables	<u>1,228,000</u>	<u>1,451,911</u>	<u>1,228,000</u>	<u>1,451,911</u>

Effective interest rate of the above finance lease receivables is ranging from 5.92% to 10.23% per annum (31 December 2018: 5.92% to 10.23% per annum).

As at 30 June 2019, the gross carrying amount of the finance lease receivables which have been pledged as security for the borrowing, is RMB311,220,000 (equivalent to HK\$353,796,000) (31 December 2018: RMB339,977,000 (equivalent to HK\$388,013,000)).

Movements of provision for impairment losses on finance lease receivables are as follows:

	<i>HK\$'000</i>
At 1 January 2018	100,962
Net recognition of impairment losses for the year	43,287
Exchange difference arising on translation of foreign operations	<u>(6,105)</u>
At 31 December 2018 (Audited)	138,144
Net recognition of impairment losses for the period	21,269
Exchange difference arising on translation of foreign operations	<u>(933)</u>
At 30 June 2019 (Unaudited)	<u><u>158,480</u></u>

14. TRADE AND OTHER RECEIVABLES

The following is an analysis of trade and other receivables at the end of the reporting period:

	30 June 2019 <i>HK\$'000</i> (Unaudited)	31 December 2018 <i>HK\$'000</i> (Audited)
Trade receivables (Note (i))	47,703	95,211
Rental deposits (Note (iv))	28,157	28,216
Prepayments and other receivables (Note (iii))	<u>259,718</u>	<u>184,578</u>
	335,578	308,005
Less: Provision for impairment losses on trade and other receivables (Note (ii))	<u>(32,650)</u>	<u>(740)</u>
Trade and other receivables	<u><u>302,928</u></u>	<u><u>307,265</u></u>
	30 June 2019 <i>HK\$'000</i> (Unaudited)	31 December 2018 <i>HK\$'000</i> (Audited)
Analysed for reporting purposes as:		
Current assets	275,574	279,909
Non-current assets	<u>27,354</u>	<u>27,356</u>
	<u><u>302,928</u></u>	<u><u>307,265</u></u>

Notes:

- (i) Trade receivables are normally due within 30 days (2018: within 30 days) from the date of billing. The following is an aged analysis of trade receivables, presented based on the invoice date at the end of the reporting period:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Within 1 month	14,358	94,356
1 to 3 months	–	617
Over 3 months	<u>33,345</u>	<u>238</u>
	<u>47,703</u>	<u>95,211</u>

- (ii) The movements in provision for impairment losses of trade and other receivables are as follows:

	<i>HK\$'000</i>
At 1 January 2018	246
Provision for impairment losses for the year	<u>494</u>
At 31 December 2018 (Audited)	740
Provision for impairment losses for the period	<u>31,910</u>
At 30 June 2019 (Unaudited)	<u><u>32,650</u></u>

- (iii) At 30 June 2019, included in the other receivables of approximately HK\$160,000,000 represents a receivables from an independent receiver arising from the disposal of charged assets for a non-performing loan investment. The amount is expected to be recovered within one year.

- (iv) All non-current portion are rental deposits.

15. TRADE AND OTHER PAYABLES

The following is an analysis of trade and other payables at the end of the reporting period:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Trade payables from foundation and substructure construction services	129,711	130,569
Retention money payables	51,362	44,667
Deposit from finance lease customers (Note)	16,569	37,381
Other payables, accruals and others	<u>148,494</u>	<u>154,502</u>
	<u>346,136</u>	<u>367,119</u>
Analysed for reporting purposes as:		
Current liabilities	330,186	331,651
Non-current liabilities	<u>15,950</u>	<u>35,468</u>
	<u>346,136</u>	<u>367,119</u>

Note: All non-current portion are deposit from finance lease customers with lease terms expiring after one year.

16. INTEREST-BEARING BORROWINGS

	30 June 2019	31 December 2018
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Bank loans	2,528,564	1,450,960
Other loans	4,619,936	5,554,875
	<u>7,148,500</u>	<u>7,005,835</u>
Secured	255,421	306,610
Unsecured	6,893,079	6,699,225
	<u>7,148,500</u>	<u>7,005,835</u>

The carrying amounts of the above borrowings are repayable*:

	30 June 2019	31 December 2018
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
With on demand clause	895,228	845,494
Within one year	1,780,922	1,375,887
Within a period of more than one year but not exceeding two years	884,308	821,730
Within a period of more than two years but not exceeding five years	3,531,290	3,119,561
Within a period of more than five years	56,752	843,163
	<u>7,148,500</u>	<u>7,005,835</u>
Less: Amounts due within one year shown under current liabilities	<u>(2,676,149)</u>	<u>(2,221,381)</u>
Amounts due from settlement after 12 months and shown under non-current liabilities	<u>4,472,351</u>	<u>4,784,454</u>

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The secured borrowings as at 30 June 2019 of RMB224,683,000 (equivalent to approximately HK\$255,421,000) (2018: RMB268,051,000 (equivalent to HK\$306,610,000)) are secured by finance lease receivables.

The Group has other loans from:

- (a) its immediate holding company, Right Select International Limited (“**Right Select**”) amounting to USD336,400,000 (approximately HK\$2,863,482,000) and HK\$642,401,000 (2018: USD487,120,000 (approximately HK\$3,815,569,000));
- (b) an Executive Director of the Company, Mr. Kwan Wai Ming (“**Mr. Kwan**”), amounting to HK\$22,500,000 (2018: HK\$24,500,000);
- (c) a director of a subsidiary of the Company, Mr. Leung Kam Chuen (“**Mr. Leung**”), amounting to HK\$27,500,000 (2018: HK\$29,500,000);
- (d) a related company, Acute Peak Investments Limited (“**Acute Peak**”), which is 50% owned by Mr. Leung and 50% owned by Mr. Kwan, amounting to HK\$250,000,000 (2018: HK\$250,000,000); and
- (e) fellow subsidiaries of the Company, amounting to HK\$86,361,000, RMB570,000,000 (approximately HK\$647,978,000) and USD10,200,000 (approximately HK\$79,714,000) (2018: HK\$86,361,000, RMB720,000,000 (approximately HK\$821,730,000) and USD10,200,000 (approximately HK\$79,896,000)).

All of the above other loans are unsecured.

As at 30 June 2019, the Group’s borrowings bear fixed interest rates ranging from 2.80% to 6.30% per annum (2018: 2.80% to 6.30% per annum), and variable interest rates ranging from 4.44% to 4.69% per annum (2018: 4.44% to 4.69%).

17. SHARE CAPITAL

	Number of shares '000	Total value HK\$'000
Ordinary shares of HK\$0.01 each		
Issued and fully paid:		
At 31 December 2018 and 30 June 2019	<u>1,816,000</u>	<u>18,160</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

With the impacts of different negative factors affecting Hong Kong and the global economy, the Group recorded a loss attributable to the equity holders of the Company for the unaudited consolidated results for the Reporting Period as compared with the profit recorded for the Corresponding Period. The net loss was mainly due to substantial provisions that are made against the Group's direct investments in loans and receivables and the unrealised losses arising from the adverse fair value change of the financial assets at fair value through profit or loss.

Strengthen the business foundation and maintain stable development

In 2019, the Group continues to strengthen its business foundation and maintain stable development, by way of enhancing the quality of its investment portfolios and paving the way for future development. As at the date of this announcement, the Group is primarily engaged in the following business segments: (i) direct investment; (ii) financial services and others; and (iii) foundation and substructure construction services. During the Reporting Period, the Group's revenue recorded a drop to approximately HK\$599 million, representing a decrease of approximately 27% as compared to approximately HK\$820 million in the Corresponding Period. Direct investment business segment recorded a revenue of approximately HK\$176 million, representing a decrease of approximately 43% as compared to approximately HK\$308 million in the Corresponding Period. The revenue of financial services and other business segments was approximately HK\$75 million during the Reporting Period, representing a decrease of approximately 61% as compared to approximately HK\$192 million in the Corresponding Period. In addition, the revenue of foundation and substructure construction services segment was approximately HK\$348 million during the Reporting Period, representing an increase of approximately 9% as compared to approximately HK\$320 million in the Corresponding Period. During the Reporting Period, the Group recorded loss before tax of approximately HK\$310 million.

The net loss for the Reporting Period was mainly due to substantial provisions that are made against the Group's direct investments in loans and receivables and the unrealised losses arising from the adverse fair value change of the financial assets at fair value through profit or loss. During the Reporting Period, the Group has recognized approximately HKD\$102 million of net impairment losses which was mainly caused by the deterioration of the loan investment performance in the Reporting Period. (the Corresponding Period: Net reversal of impairment losses of approximately HK\$55 million). The unrealised loss on financial investments was approximately HK\$202 million (the Corresponding Period: approximately HK\$127 million). The relevant losses were mainly due to the decrease in fair value of different investments which include listed stocks, convertible bond and funds.

Direct Investment

In terms of direct investment business, the Group has mainly invested in equities, bonds, funds, derivative instruments and other investments. As at 30 June 2019, the segment assets of direct investment business was approximately HK\$7,290 million (31 December 2018: approximately HK\$6,511 million), representing an increase of approximately 12% as compared with that of 31 December 2018. During the Reporting Period, segment revenues of approximately HK\$176 million (the Corresponding Period: approximately HK\$308 million) and segment loss of approximately HK\$261 million (the Corresponding Period: segment loss of HK\$45 million) were recorded.

The direct investment business of the Group is divided into four major categories, namely fixed returns investments, fund investments, equity investments and proprietary trading and treasury. Fixed returns investments mainly represented investment in private bonds, loans, convertible bonds and fixed income funds, which accounting for approximately 42% of the total investment assets. Such investment provided the Company with stable income and cash flow. The fund investment mainly represented investment in various funds investing in equity, which accounting for approximately 23% of the total investment assets. Equity investments accounted for approximately 7% of the total investment assets, mainly comprising shares of listed companies and equity investment of unlisted companies with strong potential. The proprietary trading and treasury accounted for approximately 28% of the total investment assets, which mainly invested in global bonds and conducted liquidity management and foreign exchange risk management for the Group through bond market, financing arrangement with banks and other financial instruments. Although the overall performance of direct investment will fluctuate with the overall market conditions, the Group believes that while the stable income of the Company is guaranteed by fixed returns investment, fund and equity investments may bring potential and remarkable profit to the Group in a longer term.

Financial Services and Others

Financial services and other related services mainly include provision of finance lease services, business consulting services, and financing services and other related services. The Group has set up a professional financial leasing company with relevant licences in the PRC. 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 liquefied natural gas, 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 provides consulting and financing services on macro-economic, industry analysis, financial product design and other aspects for customers. As at 30 June 2019, the segment assets of the business of the financial services and others amounted to approximately HK\$1,421 million (31 December 2018: approximately HK\$1,701 million). During the Reporting Period, the segment revenue of approximately HK\$75 million (the Corresponding Period: approximately HK\$192 million), representing a decrease of approximately 61%. The segment loss of approximately HK\$27 million (the Corresponding Period: segment profit of approximately HK\$119 million) were recorded.

Foundation and Substructure Construction Services

The construction contract income of foundation and substructure construction services was recognised over time by using output method.

As at 30 June 2019, the segment assets of foundation and substructure construction services amounted to approximately HK\$475 million (31 December 2018: approximately HK\$260 million). During the Reporting Period, the segment revenue of approximately HK\$348 million (the Corresponding Period: approximately HK\$320 million) and the segment loss of approximately HK\$30 million (the Corresponding Period: segment profit of approximately HK\$4 million) were recorded. Despite the increase in total amount of projects and revenue, the keen peer competition and increase in related costs have led to loss in such segment during the Reporting Period. The Group will continue to pay attention to the development of relevant foundation and substructure construction services, adjust its strategies and control costs to gain long-term benefit for the Group.

Further details of the above investments are disclosed in notes of the condensed consolidated financial statements for the Reporting Period.

OUTLOOK

In 2019, it is expected that the general domestic economy tends to be stable, with the overall economic policies leaning towards proactiveness, providing a favorable external environment for the Group's development amongst stability and transformation. The Group will continuously consolidate its foundation, lower its risks, enhance the quality of its project investments and strengthen its core competitiveness and sustainability.

The Company will continuously improve its mode of business development, explore its advantages and the competitive mode of differentiation. With the support by consolidating its foundation and stabilizing business development, the Company continues to optimize the structure of its business, customers and staff and enhance the economic capability of its service entity. In order to realize the development approach of revitalizing its principle business and the overall operating strategy of developing "businesses that orbit distressed asset management", the Company also focuses on exploring the market segment of distressed asset management as well as motivating other innovative financial service businesses to further enrich and improve the product portfolio of the Company.

Amid the business development, the Group will continue to prioritize risk prevention and control and promote the construction of quantitative analysis system for market risks, strengthening of its corporate governance and mechanism for risk prevention and control, sound risk management structure and comprehensive risk preference and risk limit management and clear admission criteria for projects, as well as optimized business authorization and customer management policy, in order to enhance the effectiveness of risk control, perfect the comprehensive system management to realize the Group's stable growth and development.

DEBTS AND CHARGE ON ASSETS

The total interest-bearing borrowings of the Group as at 30 June 2019 were approximately HK\$7,149 million (31 December 2018: approximately HK\$7,006 million). As at 30 June 2019, the secured interest borrowings of approximately HK\$255 million were secured by finance lease receivables.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2019, the Group's bank balances and cash (including deposits in other financial institutions) were approximately HK\$1,466 million (31 December 2018: HK\$879 million). The Group manages its capital structure to finance its overall operation and growth by using different sources of funds. During the Reporting Period, the Group's sources of fund include proceeds from perpetual capital instruments, loans from direct and indirect shareholders, loans from banks and internal resources. The gearing ratio of the Group as at 30 June 2019 (defined as total interest-bearing liabilities divided by the Group's total equity) was approximately 3.8 (31 December 2018: 3.2).

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Reporting Period. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position and implements in-house treasury measures to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

The Group's operations are mainly denominated in US dollars, Hong Kong dollars and RMB. As the Hong Kong Dollars are pegged to the US dollars, the Group expects that there is no significant change in the exchange rate of US Dollars against Hong Kong dollars. During the Reporting Period, the Group used the financial instruments in the market to hedge its exposure to foreign exchange risk arising from investment through the proprietary trading and treasury function of the Group in respect of the foreign exchange risk of some investments. The Group will keep monitoring its exposure to foreign exchange fluctuations carefully and may introduce appropriate hedging measures if necessary.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2019 (30 June 2018: Nil).

EVENTS AFTER THE REPORTING PERIOD

There were no significant events since the end of the Reporting Period.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2019, the Group had 207 staff (30 June 2018: 232). The total staff costs incurred by the Group for the Reporting Period were approximately HK\$57 million (the Corresponding Period: approximately HK\$76 million).

The salary and benefit levels of the employees of the Group are competitive, which could attract professional talents to commit to the Group's businesses. Individual performance of our employees is rewarded through the Group's bonus system and is the key index for the salary review from time to time. In addition, the Group provides adequate job training to employees in order to equip them with practical knowledge and skills to tackle various situations and challenges encountered in a diverse range of working sites.

INTERIM DIVIDEND

The Board did not recommend payment of interim dividend to shareholders of the Company for the Reporting Period (the Corresponding Period: Nil).

REVIEW OF THE INTERIM FINANCIAL STATEMENTS

The audit committee of the Company (the "**Audit Committee**"), comprising Mr. Chan Kee Huen Michael as chairman of Audit Committee as well as Mr. Tse Chi Wai and Ms. Zhao Yingxuan as members, has reviewed with management the accounting policies and practice adopted by the Group and has discussed auditing, internal controls, and financial reporting matters including review of the interim results announcement and the interim report of the Company for the Reporting Period.

The Company's external auditor has carried out a review of the condensed consolidated financial statements for the Reporting Period in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopts the Model Code for Securities Transactions by Directors of the Listed Issuer (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as a code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, it is confirmed that all Directors have complied with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions during the Reporting Period.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board and management of the Company are committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Company emphasise a quality Board, sound internal controls, and transparency and accountability to all shareholders of the Company. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Corporate Governance Code (the "**CG Code**") as set out in the Appendix 14 to the Listing Rules throughout the Reporting Period, except for the following deviation:

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive of the Company should be separate and should not be performed by the same individual.

During the Reporting Period, the role of the chairman of the Company was performed by Mr. Yu Meng but the office of the chief executive officer of the Company has been vacated. On 8 July 2019, Mr. Xu Xiaowu was appointed as the chief executive officer of the Company.

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

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF UNAUDITED INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.hriv.com.hk. The interim report of the Company for the Reporting Period containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on the above websites in due course.

By order of the Board
Huarong Investment Stock Corporation Limited
Yu Meng
Chairman

Hong Kong, 26 August 2019

As at the date of this announcement, the executive Directors are Mr. Yu Meng, Mr. Xu Xiaowu and Mr. Kwan Wai Ming; the non-executive Director is Ms. Zhao Yingxuan; and the independent non-executive Directors are Mr. Chan Kee Huen Michael, Mr. Tse Chi Wai and Dr. Lam Lee G.