



華融投資
HUARONG INVESTMENT

*Internal And
External Linkages*



▶▶▶ **2019**
INTERIM REPORT

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.HK



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Corporate Information

Directors

Executive Directors

Mr. Yu Meng (*Chairman*)
Mr. Xu Xiaowu (*Chief Executive Officer*)
Mr. Kwan Wai Ming

Non-executive Director

Ms. Zhao Yingxuan

Independent Non-executive Directors

Mr. Chan Kee Huen Michael
Mr. Tse Chi Wai
Dr. Lam Lee G.

Audit Committee

Mr. Chan Kee Huen Michael (*Chairman*)
Mr. Tse Chi Wai
Ms. Zhao Yingxuan

Nomination Committee

Mr. Yu Meng (*Chairman*)
Mr. Chan Kee Huen Michael
Mr. Tse Chi Wai
Dr. Lam Lee G.

Remuneration Committee

Mr. Tse Chi Wai (*Chairman*)
Mr. Chan Kee Huen Michael
Mr. Xu Xiaowu

Risk Management Committee

Mr. Xu Xiaowu (*Chairman*)
Mr. Yu Meng
Dr. Lam Lee G.

Company Secretary

Mr. Leung Chin Wan

Registered Office

PO Box 1350, Clifton House
75 Fort Street, Grand Cayman KY1-1108
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

Room 3201, 32/F.,
Two Pacific Place, 88 Queensway,
Hong Kong

Legal Advisers as to Hong Kong Laws

Ashurst Hong Kong

11/F., Jardine House,
1 Connaught Place, Central,
Hong Kong

Auditor

Deloitte Touche Tohmatsu

35/F., One Pacific Place
88 Queensway
Hong Kong

Principal Share Registrar and Transfer Office

Estera Trust (Cayman) Limited

PO Box 1350, Clifton House
75 Fort Street, Grand Cayman KY1-1108
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited

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

Principal Bankers

Credit Suisse AG, Singapore Branch
Industrial and Commercial Bank of China (Asia) Limited
China CITIC Bank International Limited
Luso International Banking Ltd.
Bank of China (Hong Kong) Limited
China Minsheng Banking Corp., Ltd. Hong Kong Branch
Bank of Communications Co., Ltd. Hong Kong Branch
Industrial Bank Co., Ltd. Hong Kong Branch
Fubon Bank (Hong Kong) Limited
Bank SinoPac

Stock Code

2277

Website

www.hriv.com.hk

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 report, 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 HK\$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: Loss of 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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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 principal 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).

Management Discussion and Analysis

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, HK Dollars and RMB. As the HK Dollars are pegged to the US dollars, the Group expects that there is no significant change in the exchange rate of US Dollars against HK 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 (31 December 2018: Nil).

Events After the Reporting Period

There were no significant events after 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).

Other Information

Review of the Interim Financial Statements

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 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 CG Code 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.

Directors' and Chief Executives' Interests in Securities

As at 30 June 2019, no interests or short positions in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) were held by the Directors and the chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

Share Option Scheme

Pursuant to the written resolutions of the sole shareholder of the Company on 8 December 2014, the Company adopted the Share Option Scheme to attract and retain the best available personnel, to provide additional incentive to employees, Directors, consultants or advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

The Board may, at its absolute discretion and on such terms as it may think fit, grant options to any employee (full-time or part-time), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group. The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, our Independent Non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the total number of Shares in issue at any point in time, without prior approval from the Shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the total number of Shares in issue at any point in time, without prior approval from the Shareholders. Options granted to substantial Shareholders or Independent Non-executive Directors or any of their respective associates (including a discretionary trust whose discretionary objects include a substantial Shareholder, Independent Non-executive Directors, or any of their respective associates) in any 12-month period in excess of 0.1% of the Company's share capital and with a value in excess of HK\$5 million must be approved in advance by the Shareholders.

Options granted must be taken up within seven days inclusive of the day on which such offer was made, upon payment of HK\$1 per option. Options may be exercised at any time during a period as the Directors may determine which shall not exceed ten years from the date of grant. The exercise price is determined by the Directors, and will be at least the higher of (i) the closing price of the Shares on the date of grant; (ii) the average closing price of the Shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Share.

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the adoption date (i.e. 8 December 2014) and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting. As at the date of this Interim Report, the Share Option Scheme had a remaining life of approximately five years.

No share options were granted since the adoption of the Share Option Scheme and there are no outstanding share options as at 30 June 2019. As at the date of this Interim Report, the number of share options available for issue under the Share Option Scheme was 103,000,000, representing approximately 5.67% of the total number of issued Shares as at the date of this Interim Report. A summary of the principal terms and conditions of the Share Option Scheme is set out in Appendix IV to the prospectus of the Company dated 15 December 2014.



Other Information

Substantial Shareholders' Interests

So far as is known to the Directors and the chief executive of the Company, as at 30 June 2019, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholders	Capacity	Number of Shares	Approximate percentage of the total number of the issued Share (%)
Right Select	Beneficial owner (<i>Note 1</i>)	926,042,000	50.99%
CHIH	Interest of controlled corporation (<i>Note 1</i>)	926,042,000	50.99%
Huarong Real Estate Co., Ltd.	Interest of controlled corporation (<i>Note 1</i>)	926,042,000	50.99%
China Tian Yuan Asset Management Limited	Beneficial owner (<i>Note 2</i>)	353,375,000	19.46%
China Tian Yuan Manganese Finance (Holdings) Limited	Interest of controlled corporation (<i>Note 2</i>)	353,375,000	19.46%
China Tian Yuan Manganese Limited	Interest of controlled corporation (<i>Note 2</i>)	353,375,000	19.46%
Ningxia Tianyuan Manganese Industry Co., Ltd	Interest of controlled corporation (<i>Note 2</i>)	353,375,000	19.46%
Jia Tianjiang	Interest of controlled corporation (<i>Note 2</i>)	353,375,000	19.46%
Dong Jufeng	Interest of spouse (<i>Note 2</i>)	353,375,000	19.46%
Shinning Rhythm Limited	Person having a security interest in shares (<i>Note 3</i>)	353,375,000	19.46%
China Huarong Overseas Investment Holdings Co., Limited	Security interest of controlled corporation (<i>Note 3</i>)	353,375,000	19.46%
Huarong Huaqiao Asset Management Co., Ltd.	Security interest of controlled corporation (<i>Note 3</i>)	353,375,000	19.46%
廣東錦峰集團有限公司	Security Interest of controlled corporation (<i>Note 4</i>)	353,375,000	19.46%
HONG KONG KAM FUNG GROUP COMPANY LIMITED	Interest of controlled corporation (<i>Note 4</i>)	353,375,000	19.46%
Sun Siu Kit	Interest of controlled corporation (<i>Note 4</i>)	353,375,000	19.46%
Huarong Zhiyuan Investment & Management Co., Ltd.	Interest of controlled corporation (<i>Note 1</i>)	926,042,000	50.99%
	Security interest of controlled corporation (<i>Note 3</i>)	353,375,000	19.46%
China Huarong	Interest of controlled corporation (<i>Note 1</i>)	926,042,000	50.99%
	Security interest of controlled corporation (<i>Note 3</i>)	353,375,000	19.46%

Other Information

Notes:

1. The 926,042,000 Shares were beneficially owned by Right Select which is wholly owned by CHIH which is in turn owned as to 11.90% by Huarong Zhiyuan Investment & Management Co., Ltd. and 88.10% by Huarong Real Estate Co., Ltd., both of which are wholly owned by China Huarong. Therefore, all these companies were deemed or taken to be interested in all the Shares beneficially owned by Right Select by virtue of the SFO.
2. The 353,375,000 Shares were beneficially owned by China Tian Yuan Asset Management Limited which is wholly owned by China Tian Yuan Manganese Finance (Holdings) Limited. China Tian Yuan Manganese Finance (Holdings) Limited is wholly owned by China Tian Yuan Manganese Limited which is in turn wholly owned by Ningxia Tianyuan Manganese Industry Co., Ltd, a company that Mr. Jia Tianjiang owns 99.62% of its interest. All these companies, Mr. Jia Tianjiang and his spouse, Ms. Dong Jufeng, are deemed to be interested in those Shares by virtue of SFO.
3. Based on the notifications filed to the Company, China Tian Yuan Asset Management Limited pledged 353,375,000 Shares to Shinning Rhythm Limited. Shinning Rhythm Limited is wholly owned by China Huarong Overseas Investment Holdings Co., Limited which is in turn wholly owned by Huarong Huaqiao Asset Management Co., Ltd. Huarong Huaqiao Asset Management Co., Ltd. is owned as to 51% by Huarong Zhiyuan Investment & Management Co., Ltd., which is a wholly owned subsidiary of China Huarong. As all these companies were deemed or taken to be interested in all the security interest in 353,375,000 Shares by virtue of the SFO, and therefore China Huarong was deemed to have approximately 70.45% of interest in the Company as at 30 June 2019.
4. Huarong Huaqiao Asset Management Co., Ltd. is owned as to 40% by 廣東錦峰集團有限公司, which is a wholly owned subsidiary of HONG KONG KAM FUNG GROUP COMPANY LIMITED. HONG KONG KAM FUNG GROUP COMPANY LIMITED is wholly owned by Mr. Sun Siu Kit. All these companies, Mr. Sun Siu Kit is deemed to be interested in 353,375,000 Shares by virtue of SFO.

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.

Change of Directors' Information

Changes in Information of Directors

Subsequent to the date of the annual report of the Company for the year ended 31 December 2018:

On 17 April 2019, Mr. Zhang Fan has resigned as an Executive Director, and ceased to be a member of each of the Remuneration Committee and the Risk Management Committee and the Authorised Representative. Mr. Liu Xiguang has been appointed as a member of the Remuneration Committee and an Authorised Representative and Ms. Lin Xueqin has been appointed as a member of the Audit Committee, and has ceased to be a member of the Risk Management Committee on 17 April 2019.

Please refer to the Company's announcement dated 17 April 2019 for further details.

On 24 May 2019, Dr. Fang Fuqian has resigned as an Independent Non-executive Director and a member of each of the Audit Committee and Nomination Committee.

Please refer to the Company's announcement dated 24 May 2019 for further details.

Other Information

On 8 July 2019:

- (1) Mr. Liu Xiguang has tendered his resignation as an Executive Director, and ceased to be the Authorised Representative, the chairman of the Risk Management Committee and a member of the Remuneration Committee;
- (2) Ms. Lin Xueqin has tendered her resignation as a Non-executive Director, and ceased to be a member of the Audit Committee;
- (3) Mr. Xu Xiaowu has been appointed as an Executive Director, the chief executive officer of the Company, the Authorised Representative, the chairman of the Risk Management Committee and a member of the Remuneration Committee; and
- (4) Ms. Zhao Yingxuan has been appointed as a Non-executive Director and a member of the Audit Committee.

Please refer to the Company's announcement dated 8 July 2019 for further details.

Mr. Yu Meng, the chairman of the Company and Executive Director, has been appointed as the chairman of the board and an executive director of Huarong International Financial Holdings Limited (Stock Code: 993), the shares of which are listed on the Main Board of the Stock Exchange and the associate of the Company, with effective from 8 July 2019.

Mr. Tse Chi Wai, an Independent Non-executive Director, (i) resigned as the company secretary and authorized representative and (ii) retired as an executive director of China Information Technology Development Limited (Stock Code: 8178), the shares of which are listed on GEM of the Stock Exchange, with effective from 18 June 2019 and 28 June 2019 respectively.

Dr. Lam Lee G., an Independent Non-executive Director, has been appointed and resigned as a non-executive director of Green Leader Holdings Group Limited (Stock Code: 61), the shares of which are listed on the Main Board of the Stock Exchange, with effective from 1 June 2019 and 22 July 2019 respectively.

Dr. Lam Lee G. resigned as the vice-chairman of the board of directors of China Shandong Hi-Speed Financial Group Limited (Stock Code: 412), the shares of which are listed on the Main Board of the Stock Exchange, with effective from 3 June 2019.

Change of Auditors

SHINEWING (HK) CPA Limited has retired as the auditors of the Company upon expiration of their terms of office with effect from the conclusion of the 2017 AGM and did not stand for re-appointment. The Board had resolved to align with the parent company and appoint Deloitte as the auditors of the Company for the year 2017 to ensure efficient and consistent auditing processes among the parent company, the Company and each of its subsidiaries. The appointment and re-appointment of Deloitte as auditors has been approved at the 2017 AGM, 2018 AGM and 2019 AGM respectively.

Other Information

Disclosure Under Rule 13.21 of the Listing Rules

On 7 December 2018, the Company (as borrower) and a syndicate of banks entered into a term loan facility agreement of HK\$110,000,000 and US\$200,000,000 with greenshoe option to increase the Facility to not more than HK\$3,800,000,000 (or its equivalent to US\$). Such facility has a term of 364 days, subject to extension with the consent of such syndicate of banks.

On 21 December 2018, the Company (as borrower) signed a revolving loan facility letter with a bank for up to an aggregate amount of HK\$400,000,000 (or its equivalent in US\$). Such facility is unsecured and be at all times available at the sole and absolute discretion of the bank.

For each of the abovementioned facilities, China Huarong has issued a letter of comfort to the relevant bank(s) to undertake that as long as each of the abovementioned facilities remains outstanding, China Huarong shall remain as the controlling shareholder of the Company.

On 13 August 2019, the Company (as borrower) signed a revolving short term advance facility letter and a treasury facility letter with a bank for up to an aggregate amount of US\$15,000,000 (or its equivalent amount in other major foreign currencies) and US\$5,000,000 respectively. The terms of the facilities shall be subject to the bank's annual review on 30 June each year.

Under the revolving short term advance facility letter and treasury facility letter, as long as the facilities remain outstanding, China Huarong should, among other, remain as the majority shareholder of the Company. As at the date of this interim report, China Huarong beneficially owns approximately 50.99% of the total number of issued shares of the Company.

Please refer to the Company's announcements dated 7 December 2018, 21 December 2018 and 13 August 2019 for further details.

Related Party Transactions and Connected Transactions

Related party transactions entered into or subsisting by the Group during the Reporting Period, which also constituted connected transactions or continuing connected transactions under the Listing Rules, are disclosed in note 23 to the condensed consolidated financial statements for the Reporting Period. All such connected transactions have complied with the disclosure requirements under Chapter 14A of the Listing Rules.

Report on Review of Condensed Consolidated Financial Statements

TO THE BOARD OF DIRECTORS OF HUARONG INVESTMENT STOCK CORPORATION LIMITED

華融投資股份有限公司

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Huarong Investment Stock Corporation Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 14 to 54, which comprise the condensed consolidated statement of financial position as of 30 June 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review 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. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

26 August 2019

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	Six months ended 30 June	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (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	5	23,364	(725)
Other gains or losses	6	800	(13,678)
Net (recognition) reversal of impairment losses under expected credit loss model	19	(102,323)	55,274
Other income	7	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	8	(161,901)	(221,855)
(Loss) profit before tax	9	(310,019)	61,261
Income tax expense	10	(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
Other comprehensive (expenses) income for the period			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translating foreign operations		363	(16,442)
		(315,176)	42,043
(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		31,638	31,805
		(315,176)	42,043
(Loss) earnings per share (HK cents)			
– Basic	12	(19.12)	1.47

Condensed Consolidated Statement of Financial Position

		30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
	<i>Notes</i>		
NON-CURRENT ASSETS			
Plant and equipment	13	108,523	78,239
Intangible asset		1,840	1,840
Right-of-use assets		264,494	–
Financial investments	15	1,046,175	1,746,740
Finance lease receivables	16	732,963	988,144
Loan and debt instruments	14	1,265,278	1,268,288
Rental deposits	18	27,354	27,356
Deferred tax assets		3,605	–
Total non-current assets		3,450,232	4,110,607
CURRENT ASSETS			
Contract assets	17	104,127	130,924
Trade and other receivables	18	275,574	279,909
Financial investments	15	3,483,454	2,975,962
Finance lease receivables	16	495,037	463,767
Loan and debt instruments	14	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
Total current assets		6,909,360	6,307,629
CURRENT LIABILITIES			
Trade and other payables	20	330,186	331,651
Obligations under finance leases		–	3,782
Interest-bearing borrowings	21	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
Total current liabilities		3,751,334	3,368,857

Condensed Consolidated Statement of Financial Position

		30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
	<i>Notes</i>		
NET CURRENT ASSETS		3,158,026	2,938,772
TOTAL ASSETS LESS CURRENT LIABILITIES		6,608,258	7,049,379
NON-CURRENT LIABILITIES			
Obligations under finance leases		–	3,946
Interest-bearing borrowings	21	4,472,351	4,784,454
Lease liabilities		209,747	–
Deposit from finance lease customers	20	15,950	35,468
Deferred tax liabilities		12,610	9,732
Total non-current liabilities		4,710,658	4,833,600
NET ASSETS		1,897,600	2,215,779
CAPITAL AND RESERVES			
Share capital	22	18,160	18,160
Perpetual capital instruments		1,361,214	1,329,576
Reserves		518,226	868,043
TOTAL EQUITY		1,897,600	2,215,779

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Attributable to ordinary shareholders of the Company							Subtotal	Perpetual capital instruments	Total
	Share capital	Share premium	Capital reserve	Merger reserve	Statutory reserve	Exchange reserve	Retained earnings			
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
		(Note a)	(Note b)	(Note c)	(Note d)					
At 1 January 2018	18,160	558,060	7,164	(87,838)	24,431	25,203	356,107	901,287	1,266,333	2,167,620
Profit for the period	-	-	-	-	-	-	26,680	26,680	31,805	58,485
Other comprehensive expense for the period										
Exchange differences on translation of foreign operations	-	-	-	-	-	(16,442)	-	(16,442)	-	(16,442)
Other comprehensive expense for the period	-	-	-	-	-	(16,442)	-	(16,442)	-	(16,442)
Total comprehensive (expenses) income for the period	-	-	-	-	-	(16,442)	26,680	10,238	31,805	42,043
At 30 June 2018 (unaudited)	18,160	558,060	7,164	(87,838)	24,431	8,761	382,787	911,525	1,298,138	2,209,663
At 31 December 2018 (audited)	18,160	558,060	7,164	(87,838)	35,675	869	354,113	886,203	1,329,576	2,215,779
Effect arising from initial application of HKFRS 16	-	-	-	-	-	-	(3,003)	(3,003)	-	(3,003)
At 1 January 2019	18,160	558,060	7,164	(87,838)	35,675	869	351,110	883,200	1,329,576	2,212,776
Loss for the period	-	-	-	-	-	-	(347,177)	(347,177)	31,638	(315,539)
Other comprehensive income for the period										
Exchange differences on translation of foreign operations	-	-	-	-	-	363	-	363	-	363
Other comprehensive income for the period	-	-	-	-	-	363	-	363	-	363
Total comprehensive income (expenses) for the period	-	-	-	-	-	363	(347,177)	(346,814)	31,638	(315,176)
At 30 June 2019 (unaudited)	18,160	558,060	7,164	(87,838)	35,675	1,232	3,933	536,386	1,361,214	1,897,600

Notes:

- Under the Companies Law (as revised) of the Cayman Islands, the share premium account of the Company is distributable to its shareholders, provided that immediately following the date on which the dividend is proposed to be paid, the Company shall be able to pay its debts as when they fall due in the ordinary course of business.
- The capital reserve represents the deemed capital contribution from its former shareholder, Golden Roc Holdings Limited ("**Golden Roc**"), in relation to listing expenses reimbursed to the Company in prior year.
- The merger reserve represents the difference between the total equity of those subsidiaries (which were transferred from Golden Roc to the Company) and the aggregate share capital of the relevant subsidiaries pursuant to the group reorganisation where the transfer of the relevant subsidiaries to the Company are satisfied by issue of new shares from the Company to Golden Roc in prior year.
- Subsidiaries in the People's Republic of China ("**PRC**") have appropriated 10% of the profit to statutory reserve until the balance of reserve reaches 50% of their respective registered capital. The statutory reserve is required to be retained in the accounts of the subsidiaries to offset against accumulated losses of the respective PRC subsidiaries.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
NET CASH FLOWS FROM OPERATING ACTIVITIES	670,841	1,330,697
INVESTING ACTIVITIES		
Purchase of plant and equipment	(16,115)	(6,775)
Proceeds from disposal of plant and equipment	13,302	3,007
Purchase of financial investments	(4,647,637)	(181,278)
Proceeds from disposal of financial investments	4,639,971	37,391
Repayment from related parties	–	26
Repayment from fellow subsidiaries	2,604	99,816
Advances to the immediate holding company	(1,400)	(224,100)
Placement of pledged bank deposits	–	(3,791)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(9,275)	(275,704)
FINANCING ACTIVITIES		
New interest-bearing borrowings raised	1,527,061	849,904
Repayment of interest-bearing borrowings	(1,374,206)	(1,691,911)
Proceeds from financial assets sold under repurchase agreements	449,825	–
Repayments of financial assets sold under repurchase agreements	(583,411)	–
Capital element of finance lease rentals paid	–	(4,852)
Interest element of finance lease rentals paid	–	(201)
Repayments of lease liabilities	(43,424)	–
Interest paid	(154,547)	(216,513)
(Repayment to) advance from related parties	(13,243)	2,019
Advance from a fellow subsidiary	5,088	647,486
Advance from (repayment to) an immediate holding company	22,403	(8,696)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(164,454)	(422,764)
NET INCREASE IN CASH AND CASH EQUIVALENTS	497,112	632,229
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	738,955	552,884
EFFECT OF FOREIGN EXCHANGE RATE CHANGE, NET	(13,095)	(11,861)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	1,222,972	1,173,252

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) – Int 23	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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. BASIS OF PREPARATION (continued)

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. BASIS OF PREPARATION (continued)

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

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

As a lessee (continued)

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. BASIS OF PREPARATION (continued)

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

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

As a lessee (continued)

Lease liabilities (continued)

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. BASIS OF PREPARATION (continued)

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

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

As a lessee (continued)

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. BASIS OF PREPARATION (continued)

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

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. BASIS OF PREPARATION (continued)

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

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

As a lessee (continued)

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 measured 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%.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. BASIS OF PREPARATION (continued)

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

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

As a lessee (continued)

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. BASIS OF PREPARATION (continued)

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

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

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.

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 into 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 HK\$'000
Retained profits	354,113
Impact at 1 January 2019	(3,003)
	351,110

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. BASIS OF PREPARATION (continued)

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

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

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.

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

The following table summarises the impacts of applying HKFRS 16 as a lessor on the Group's condensed consolidated statement of financial position as at 30 June 2019 for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. BASIS OF PREPARATION (continued)

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

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

Impact on the condensed consolidated statement of financial position

	Note	As reported HK\$'000	Adjustments HK\$'000	Amounts without application of HKFRS 16, as a lessor HK\$'000
NON-CURRENT ASSETS				
Finance lease receivables	(e)	732,963	4,422	737,385
CURRENT ASSETS				
Finance lease receivables	(e)	495,037	8	495,045
CURRENT LIABILITIES				
Trade and other payables	(e)	330,186	8	330,194
NON-CURRENT LIABILITIES				
Deposit from finance lease customers	(e)	15,950	4,422	20,372

(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.

(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.

(e) The effects related to reduction in interest income and finance cost are not material if the discounting effects for refundable deposits were not adjusted.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

3. REVENUE

Disaggregation of revenue from contracts with customers

For the six months ended 30 June 2019

Segment	Foundation and substructure construction services HK\$'000	Financial services and others HK\$'000	Total HK\$'000
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	348,309	27,556	375,865
Geographical markets			
Mainland China	–	22,656	22,656
Hong Kong	348,309	4,900	353,209
Total	348,309	27,556	375,865
Timing of revenue recognition			
At point of time	–	2,000	2,000
Over time	348,309	25,556	373,865
Total	348,309	27,556	375,865
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			599,401

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

3. REVENUE (continued)

Disaggregation of revenue from contracts with customers (continued)

For the six months ended 30 June 2018

Segment	Foundation and substructure construction services HK\$'000	Financial services and others HK\$'000	Total HK\$'000
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	320,355	134,686	455,041
Geographical markets			
Mainland China	–	63,620	63,620
Hong Kong	320,355	71,066	391,421
Total	320,355	134,686	455,041
Timing of revenue recognition			
A point in time	–	68,096	68,096
Over time	320,355	66,590	386,945
Total	320,355	134,686	455,041
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			32,484
Total			820,960

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

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 financial products.
- (2) Financial services and others – 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

4. OPERATING SEGMENT INFORMATION (continued)

Segment revenues and results (continued)

Six months ended 30 June 2019 (unaudited)

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

Six months ended 30 June 2018 (unaudited)

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

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

4. OPERATING SEGMENT INFORMATION (continued)

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 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (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.

The Group's certain financial investments are deployed for the Group's direct investments segment. The related income and expense including certain interest income, net unrealised (losses) gains on financial investments and net realised gains on financial investments are included in the profit and loss allocated to direct investments segment.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

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

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

6. OTHER GAINS OR LOSSES

An analysis of other gains or losses is as follows:

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Net exchange losses	(3,534)	(15,370)
Net gain on disposal of plant and equipment	4,334	1,692
	800	(13,678)

7. OTHER INCOME

An analysis of other income is as follows:

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Bank interest income	1,656	12,209
Others	14,167	8,306
	15,823	20,515

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interest-bearing borrowings	154,823	221,654
Lease liabilities	7,078	–
Obligations under finance leases	–	201
	161,901	221,855

9. (LOSS) PROFIT BEFORE TAX

The Group's (loss) profit before tax has been arrived at after charging:

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Depreciation in respect of plant and equipment		
– assets held under finance leases	–	3,512
– owned assets	15,197	13,805
Depreciation of right-of-use assets	39,137	–
	54,334	17,317

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

14. 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:

	HK\$'000
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



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

15. FINANCIAL INVESTMENTS

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

15. FINANCIAL INVESTMENTS (continued)

Notes:

- (i) The unlisted fund investments represent investments in different private equity funds.

Included in the unlisted fund investments is the Group's subscription in an investment fund's subordinated units (with a capital contributed amounting to Renminbi ("RMB") 80 million, with a fair value at 30 June 2019 of nil), through which the unitholder (the Group) would be entitled to the gains or losses of the investment fund after the distribution of the capital contribution and expected returns to the other senior unitholders. According to an repurchase agreement entered into between the Group and the General Partner of such investment fund, the Group has a right to put back such investment fund to its General Partner at any time within an agreed period, at its capital contributed amounting to approximately RMB 80 million by the Group (with a fair value at 30 June 2019 of nil).

- (ii) The coupon rate of these bonds and convertible bonds are ranging from 4% to 8% (2018: from 4% to 8%) per annum. The Group expects to transfer such bonds and convertible bonds to third parties within the next twelve months or these are maturing within twelve months after the end of the reporting period.

On 16 January 2019, the Company was informed by an issuer that the maturity date of a convertible bond has been amended and extended to 16 January 2021. The conversion option expired on 16 July 2018. As at 30 June 2019, the fair value of the instrument amounted to HK\$90,670,000 (2018: HK\$121,000,000), which was estimated by an independent valuers not connected to the Group.

The remaining convertible bonds can be convertible into the ordinary shares of companies listed in Hong Kong and Australia at the option of the Group. The fair value of the convertible bonds were determined by independent valuers not connected to the Group.

- (iii) 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.
- (iv) The fair value of the put options on equity securities were determined by independent valuers not connected to the Group. Those related equity securities listed in Hong Kong and Australia amounted to HK\$78,891,000 (31 December 2018: HK\$90,396,000). Such put options are expected to be realised within twelve months after the end of the reporting period.
- (v) The asset management plan is a structured plan managed by a financial institution which underlying assets are subordinated asset-backed securities, mainly comprise of receivables traded on the national inter-bank bond market issued by China Merchants Bank Co., Ltd.
- (vi) The debt investment with the principal amount of US\$64,000,000 or equivalent to HK\$500,171,000 with a fixed interest rate of 10% per annum payable on the corresponding date, was issued by an unlisted company in Hong Kong with the due date on 14 August 2019. The investment is not held with a business model whose objective is achieved by collecting contractual cash flows or collecting contractual cash flows and selling of the investment. Accordingly, the investment was measured at FVTPL. As at 30 June 2019, the fair value of the debt investment is HK\$503,134,000, which was determined based on discounted cash flow by taking into account of the credit risk of the issuer.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

16. 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	
	1,228,000		1,451,911	
			Present value of	
	Minimum lease payments		minimum lease payments	
	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (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
	1,551,936	1,813,169	1,386,480	1,590,055
Less: Unearned finance income	(165,456)	(223,114)	N/A	N/A
	1,386,480	1,590,055	1,386,480	1,590,055
Less: Allowance for impairment losses	(158,480)	(138,144)	(158,480)	(138,144)
Carrying amount of lease receivables	1,228,000	1,451,911	1,228,000	1,451,911

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).

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)).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

16. FINANCE LEASE RECEIVABLES (continued)

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

	HK\$'000
At 1 January 2018	100,962
Net recognition of impairment losses for the year	43,287
Exchange difference arising on translation of foreign operations	(6,105)
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	(933)
At 30 June 2019 (Unaudited)	158,480

17. CONTRACT ASSETS

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Analysed for reporting purposes as:		
Unbilled revenue (Note (i))	65,863	92,100
Retention receivables (Note (ii))	54,345	55,898
	120,208	147,998
Less: Provision for impairment losses	(16,081)	(17,074)
	104,127	130,924

Notes:

- (i) Unbilled revenue included in contract assets represents the Group's right to receive consideration for work completed but not yet billed because the rights are conditional upon the satisfaction by the customers on the construction work completed by the Group and the work is pending for the certification by the customers. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction work from the customers.
- (ii) Retention receivables included in contract assets represents the Group's right to receive consideration for work performed and not yet billed because the rights are conditional on the satisfaction of the service quality by the customers over a certain period of time as stipulated in the contracts. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed.

Retention receivables are unsecured, interest-free and recoverable at the end of the defect liability period of individual contracts, ranging from 1 to 2 years from the date of the completion of the respective project. The Group does not hold any collateral over these balances.

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

17. CONTRACT ASSETS (continued)

The movements in provision for impairment losses of contract assets are as follows:

	HK\$'000
At 1 January 2018	29,362
Net reversal of impairment losses for the year	(12,288)
At 31 December 2018 (Audited)	17,074
Net reversal of impairment losses for the period	(993)
At 30 June 2019 (Unaudited)	16,081

18. TRADE AND OTHER RECEIVABLES

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

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

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	33,345	238
	47,703	95,211

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For the six months ended 30 June 2019

18. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

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

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

(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.

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

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (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)
	(102,323)	55,274

The basis of determining the inputs and assumptions and the estimation techniques 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 financial statements for the year ended 31 December 2018.

At 30 June 2019, the Group provided HK\$158,480,000 (31 December 2018: HK\$138,144,000) impairment allowance for finance lease receivables. A loss allowance of HK\$136,402,000 (31 December 2018: HK\$77,729,000) has been made on credit-impaired finance lease receivables. The credit-impaired finance lease receivables was secured by leased assets. During the current interim period, an additional impairment loss of HK\$29,520,000 has been recognised for two lessees due to the decrease of expected recoverable amount of collateral.

At 30 June 2019, the Group provided HK\$96,865,000 (31 December 2018: HK\$46,770,000) impairment allowance for loan and debt instruments. A loss allowance of HK\$72,895,000 (31 December 2018: HK\$ nil) has been made on credit-impaired loan and debt instruments. During the current interim period, an additional impairment loss of HK\$56,455,000 has been recognised for an individual debtor due to the significant financial difficulty encountered by the debtor.

At 30 June 2019, the Group provided HK\$32,650,000 (31 December 2018: HK\$740,000) impairment allowance for trade and other receivables. During the current interim period, in particular, an additional impairment loss of HK\$26,031,000 has been recognised for an individual debtor with significant financial difficulty.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

20. 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	148,494	154,502
	346,136	367,119
Analysed for reporting purposes as:		
Current liabilities	330,186	331,651
Non-current liabilities	15,950	35,468
	346,136	367,119

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

21. INTEREST-BEARING BORROWINGS

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

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For the six months ended 30 June 2019

21. INTEREST-BEARING BORROWINGS (continued)

The carrying amounts of the above borrowings are repayable*:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (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
	7,148,500	7,005,835
Less: Amounts due within one year shown under current liabilities	(2,676,149)	(2,221,381)
Amounts due from settlement after 12 months and shown under non-current liabilities	4,472,351	4,784,454

* 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 and for the expansion of the Group's business purpose.

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%).

Notes to the Condensed Consolidated Financial Statements

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22. 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	1,816,000	18,160

23. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in the condensed consolidated financial statements, the Group entered into the following significant related party transactions with related parties:

- (a) During the period, the directors of the Company are of the view that the following are related parties of the Group:

Name of party	Relationships
Mr. Leung	Director of a subsidiary of the Company
Mr. Kwan	Executive Director of the Company
Mr. Qin Ling	Chairman of the Board of Director of the Company (resigned from 27 November 2018)
Ms. Lin Changhua	Executive Director of the Company (resigned from 31 October 2017)
Mr. Liu Xiguang	Executive Director of the Company
Mr. Xu Xiaowu	Executive Director of the Company (resigned from 13 March 2018)
Fortune Famous Engineering (Transportation) Company Limited ("Fortune Famous")	50% and 50% owned by Mr. Leung and Mr. Kwan respectively
Hongkong Gold Gate Enterprise Limited ("HKGK")	50% and 50% owned by Mr. Leung and Mr. Kwan respectively
Group Team Limited	50% and 50% owned by Mr. Leung and Mr. Kwan respectively
Acute Peak	50% and 50% owned by Mr. Leung and Mr. Kwan respectively
CHIH	Intermediate holding company
Right Select	Immediate holding company
華融晟遠(江西)企業管理有限公司 ("華融晟遠江西")	Fellow subsidiary
Blossom Direction Limited	Fellow subsidiary
Diamond Summit Global Limited ("Diamond Summit")	Fellow subsidiary
Jade Treasure Limited ("Jade Treasure")	Fellow subsidiary
Treasure Map Limited ("Treasure Map")	Fellow subsidiary
Ocean Summit Global Limited ("Ocean Summit")	Fellow subsidiary

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

23. RELATED PARTY TRANSACTIONS (continued)

- (a) During the period, the directors of the Company are of the view that the following are related parties of the Group: (continued)

The Group is indirectly controlled by China Huarong, which is indirectly controlled by the PRC government through the Ministry of Finance (the “MOF”). MOF is the major shareholder of China Huarong as at 30 June 2019. For the current period, the Group has undertaken transactions with certain entities directly or indirectly owned by the PRC government, including but not limited to receiving loan facilities. The Group is of opinion that these transactions are in normal business terms that do not require separate disclosure.

- (b) During the period, the Group entered into the following transactions with related parties:

	Notes	Six months ended 30 June	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Management fee income received from			
– Right Select	(i)	1,400	1,400
Other income – waive of accumulated accrued interest	(ii)	14,150	–
Expense paid on behalf of			
– Executive Directors	(i)	–	–
Recharge of office rent, rates and management fee by			
– Group Team Limited	(i)	(1,562)	(1,636)
Operating lease payments of motor vehicles to			
– Fortune Famous	(i)	(117)	(118)
– HKGG	(i)	(209)	(234)
Interest expense paid/payable to:			
– CHIH	(i)	–	(22,426)
– Mr. Leung	(i)	(206)	(427)
– Mr. Kwan	(i)	(168)	(352)
– Acute Peak	(i)	–	(1,240)
– 華融晟遠 (江西)	(i)	(19,289)	(21,243)
– Right Select	(i)	(63,860)	(33,950)
– Treasure Map	(i)	(1,058)	–

Notes:

- (i) The related party transactions (i) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, however, they are exempt from the disclosure requirements in Chapter 14A of the Listing Rules.
- (ii) 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 recognized the waived amount as other income for the six-month period ended 30 June 2019.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF INVESTMENTS

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The financial controller of the Company determines the appropriate valuation techniques and inputs for fair value measurements and reports to the Board of Directors of the Company semi-annually.

In estimating the fair value, the Group uses market-observable data to the extent it is available. The Group engages third party qualified valuers to perform the valuation for certain financial instruments. The financial controller of the Company works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The financial controller of the Company reports the findings to the Board of Directors of the Company semi-annually to explain the cause of fluctuations in the fair value.

Some of the Group's financial assets and financial 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 and financial liabilities 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 is 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).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF INVESTMENTS (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The valuation techniques and inputs used in the fair value measurements of each financial instruments on a recurring basis are set out below:

	Fair value as at 30 June 2019 HK\$'000	Fair value as at 31 December 2018 HK\$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Increase (decrease) in fair value of financial instruments by reasonable changes in significant inputs
Financial assets						
1) Financial investments classified as financial assets at FVTPL	Listed equity securities: 151,672	Listed equity securities: 273,376	Level 1	Note (i)	N/A	N/A
2) Financial investments classified as financial assets at FVTPL	Listed debt instruments: 1,914,208	Listed debt instruments: 1,662,879	Level 2	Note (vii)	N/A	N/A
3) Financial investments classified as financial assets at FVTPL	Unlisted put options: 154,087	Unlisted put options: 141,787	Level 3	Note (v)	Volatility: Ranging from 33.00% to 38.68% (31 December 2018: Volatility: Ranging from 35.95% to 73.06%)	5% increase/decrease in volatility: HK\$561,000/ HK\$(532,000) (31 December 2018: 5% increase/decrease in volatility: HK\$722,000/ HK\$(707,000))
4) Financial investments classified as financial assets at FVTPL	Unlisted warrant: nil	Unlisted warrant: 713	Level 3	Note (v)	N/A (31 December 2018: Volatility: 45.26%)	N/A (31 December 2018: 5% increase/decrease in volatility: HK\$87,000/ HK\$(84,000))
5) Financial investments classified as financial assets at FVTPL	Unlisted foreign exchange forward contracts: 26,848	Unlisted foreign exchange forward contracts: 29,445	Level 2	Note (vii)	N/A	N/A

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF INVESTMENTS (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

The valuation techniques and inputs used in the fair value measurements of each financial instruments on a recurring basis are set out below: (continued)

	Fair value as at 30 June 2019 HK\$'000	Fair value as at 31 December 2018 HK\$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Increase (decrease) in fair value of financial instruments by reasonable changes in significant inputs
Financial assets (continued)						
6) Financial investments classified as financial assets at FVTPL	Unlisted bonds and convertible bonds: 549,194	Unlisted convertible bonds: 589,040	Level 3	Note (iii) and (v)	Volatility: 99.22% (31 December 2018: Volatility: 73.14%) Discount rate: Ranging from 9.98% to 36.62% (31 December 2018: Discount rate: Ranging from 9.50% to 18.74%)	5% increase/decrease in volatility: HK\$67,000/ HK\$(31,000) (31 December 2018: 5% increase/decrease in volatility: HK\$2,384,000/ HK\$(2,340,000)) 5% increase/decrease in discount rate: HK\$(2,854,000)/ HK\$2,910,000 (31 December 2018: 5% increase/decrease in discount rate: HK\$(2,550,000)/ HK\$2,586,000)
7) Financial investments classified as financial assets at FVTPL	Unlisted asset management plan: 60,579	Unlisted asset management plan: 61,816	Level 3	Note (iv)	Net asset value	5% increase/decrease in net asset value: HK\$3,029,000/ HK\$(3,029,000) (31 December 2018: N/A)
8) Financial investments classified as financial assets at FVTPL	Unlisted fund investments: nil	Unlisted fund investments: 598,037	Level 2	Note (ii)	N/A	N/A
9) Financial investments classified as financial assets at FVTPL	Unlisted fund investments: 1,135,153	Unlisted fund investments: 1,330,719	Level 3	Note (iv) and (viii)	Net asset value and adjustment to the credit risk of the counterparty	5% increase/decrease in net asset value: HK\$56,758,000/ HK\$(56,758,000) (31 December 2018: 5% increase/decrease in net asset value: HK\$66,536,000/ HK\$(66,536,000))

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF INVESTMENTS (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

The valuation techniques and inputs used in the fair value measurements of each financial instruments on a recurring basis are set out below: (continued)

	Fair value as at 30 June 2019 HK\$'000	Fair value as at 31 December 2018 HK\$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Increase (decrease) in fair value of financial instruments by reasonable changes in significant inputs
Financial assets (continued)						
10) Financial investments classified as financial assets at FVTPL	Unlisted debt investments: 503,134	Unlisted debt investments: nil	Level 3	Note (iii)	Discount rate: 5.57% (31 December 2018: N/A)	5% increase/decrease in discount rate: HK\$(3,001,000)/HK\$3,178,000 (31 December 2018: N/A)
11) Financial investments classified as financial assets at FVTPL	Unlisted fund investments: 34,104	Unlisted fund investments: nil	Level 3	Note (ix)	Net asset value	5% increase/decrease in net asset value: HK\$1,705,000/HK\$(1,705,000) (31 December 2018: N/A)
12) Financial investments classified as financial assets at FVTPL	Unlisted equity securities: nil	Unlisted equity securities: 34,240	Level 2	Note (vi)	N/A	N/A
13) Financial investments classified as financial asset at FVTOCI	Unlisted equity security: 650	Unlisted equity security: 650	Level 3	Note (iv)	Net asset value	5% increase/decrease in net asset value: HK\$33,000/HK\$(33,000) (31 December 2018: 5% increase/decrease in net asset value: HK\$32,500/HK\$(32,500))
Financial liabilities						
14) Financial liabilities classified as financial assets at FVTPL	Foreign exchange forward contracts: nil	Foreign exchange forward contracts: (417)	Level 2	Note (vii)	N/A	N/A
15) Financial liabilities classified as financial assets at FVTPL	Unlisted foreign exchange option contracts: (541)	Unlisted foreign exchange option contracts: nil	Level 2	Note (vii)	N/A	N/A
16) Financial liabilities classified as financial assets at FVTPL	Foreign exchange swap contracts: (515)	Foreign exchange swap contracts: nil	Level 2	Note (vii)	N/A	N/A



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF INVESTMENTS (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Notes:

- (i) Quoted bid price in an active market.
- (ii) Net asset value of the funds calculated based on the quoted price of underlying investments.
- (iii) Discounted cash flow with future cash flows that are estimated based on the host contractual terms discounted at a rate that reflects the credit risk of the counterparty.
- (iv) The fair value was determined with reference to the net asset value of the unlisted equity, asset management plan and partnership investments which are the deemed resale price of the investments provided by the external counter-parties. The directors have determined that the reported net asset values represent fair value of these investments.
- (v) The fair value was 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.
- (vi) Recent transaction price.
- (vii) The fair value was determined with reference to the quoted price provided by brokers/financial institutions based on discounted cash flow model by applying observable inputs including interest rates, forward exchange rate, etc.
- (viii) The fair value was determined based on the net asset value of the underlying investment portfolio after taking into account the credit risk of the counterparty providing the put right.
- (ix) The fair value of the unlisted fund investments was determined with reference to the fair value derived from the equity value of the underlying unlisted equity investment based on income approach with long-term revenue growth rates, weighted average cost of capital (WACC), and long-term pre-tax operating margin as key parameters.

The directors of the Company consider that the carrying amounts of investments recorded at amortised cost in the condensed consolidated financial statements approximate to their fair values.

There was no transfer of fair value measurement investment between Levels 1 and 2 in the interim period.

The reconciliation of the Group's Level 3 fair value measurement of financial assets designated at FVTPL, held for trading investments, available-for-sale investments, financial assets at FVTOCI and financial assets at FVTPL are as follows:

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Financial assets designated at FVTPL		
At the beginning of the period	N/A	1,295,946
Reclassification to financial assets at FVTPL on adoption of HKFRS 9	N/A	(1,295,946)
At the end of the period	N/A	N/A

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF INVESTMENTS (continued)

The reconciliation of the Group's Level 3 fair value measurement of financial assets designated at FVTPL, held for trading investments, available-for-sale investments, financial assets at FVTOCI and financial assets at FVTPL are as follows: (continued)

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Held for trading investments		
At the beginning of the period	N/A	130,190
Reclassification to financial assets at FVTPL on adoption of HKFRS 9	N/A	(130,190)
At the end of the period	N/A	N/A
Available-for-sale investments		
At the beginning of the period	N/A	3,443,271
Reclassified to financial assets at FVTPL on adoption of HKFRS 9	N/A	(1,038,774)
Reclassified to financial assets FVTOCI on adoption of HKFRS 9	N/A	(2,404,497)
At the end of the period	N/A	N/A
Financial assets at FVTOCI		
At the beginning of the period	650	–
Transfer in (Note (i))	–	650
At the end of the period	650	650
Financial assets at FVTPL		
At the beginning of the period	2,062,259	–
Reclassification from held for trading investments on adoption of HKFRS 9	–	130,190
Reclassification from financial assets designated at FVTPL on adoption of HKFRS 9	–	1,295,946
Reclassification from AFS investments on adoption of HKFRS 9	–	1,038,774
Transfer into level 3 (Note (ii))	694,093	–
Purchases during the period	65,222	145,695
Disposal during the period	(198,054)	(147,229)
Net fair value loss recognised in profit or loss (Note (iii))	(187,269)	(40,117)
At the end of the period	2,436,251	2,423,259

Notes:

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the ended of the reporting period.

- (i) The financial asset at FVTOCI was transferred from level 2 into level 3 as there is no recent transaction price during the period.
- (ii) The financial assets at FVTPL was transferred from level 2 into level 3 during the period due to the lack of recent transaction price and quoted price of the financial assets.
- (iii) The total gains or losses for the period included an unrealised loss of HK\$187,269,000 relating to level 3 financial assets that are measured at fair value as at 30 June 2019 (30 June 2018: a loss of HK\$40,117,000). Such fair value gains or losses are included in "Net unrealised (loss) gain on financial assets at fair value through profit or loss".

Glossary

“2017 AGM”	the annual general meeting of the Company held on 25 May 2017
“2018 AGM”	the annual general meeting of the Company held on 24 May 2018
“2019 AGM”	the annual general meeting of the Company held on 28 June 2019
“Articles”	the articles of association of the Company
“Audit Committee”	the audit committee of the Company
“Authorised Representative”	the authorised representative of the Company under Rule 3.05 of the Listing Rules
“Board”	the board of Directors
“CG Code”	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
“CHIH”	China Huarong International Holdings Limited, a company incorporated in Hong Kong with limited liability
“China Huarong”	China Huarong Asset Management Co., Ltd., a company established in the PRC with limited liability and the shares of which are listed on the Stock Exchange (stock code: 2799)
“Companies Ordinance” or “CO”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Company”	Huarong Investment Stock Corporation Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange (stock code: 2277)
“Company Secretary”	the company secretary of the Company
“Corresponding Period”	the six months ended 30 June 2018
“Deloitte”	Deloitte Touche Tohmatsu, the external auditor of the Company
“Director(s)”	director(s) of the Company
“Executive Director(s)”	the executive Director(s)
“Group”	the Company and its subsidiaries
“HK\$” or “HK Dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

Glossary

“Independent Non-executive Director(s)”	the independent non-executive Director(s)
“Interim Report”	the interim report of the Company for the Reporting Period
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Nomination Committee”	the nomination committee of the Company
“Non-executive Director(s)”	the non-executive Director(s)
“PRC”	the People’s Republic of China which, for the purposes of this Interim Report, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Remuneration Committee”	the remuneration committee of the Company
“Reporting Period”	the six months ended 30 June 2019
“Right Select”	Right Select International Limited, a company incorporated in the British Virgin Islands with limited liability and holding approximately 50.99% equity interest of the Company
“Risk Management Committee”	the risk management committee of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of the Company with par value of HK\$0.01 each
“Shareholder(s)”	Holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme adopted by the Company on 8 December 2014
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs
“US\$” or “US Dollars”	United States dollars, the lawful currency of the United States of America
“%”	per cent