

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



華融投資股份有限公司

HUARONG INVESTMENT STOCK CORPORATION LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2277)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

The board (the “**Board**”) of directors (the “**Directors**”) of Huarong Investment Stock Corporation Limited (the “**Company**”) is pleased to present the unaudited interim financial information of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2020 (the “**Reporting Period**”) together with the comparative figures for the six months ended 30 June 2019 (the “**Corresponding Period**”).

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

		For the six months ended 30 June	
	<i>NOTES</i>	2020	2019
		HK\$000	HK\$000
		(Unaudited)	(Unaudited)
			(Restated)
CONTINUING OPERATIONS			
Revenue			
Dividend and service income	3	2,440	62,921
Interest income	3	<u>109,127</u>	<u>188,171</u>
		111,567	251,092
Net unrealised gains/(losses) on financial investments	5	54,554	(202,279)
Net realised gains on financial investments	5	28,416	23,364
Other losses		(9,129)	(3,659)
Net recognition of impairment losses	6	(39,495)	(100,557)
Other income		2,398	1,646
Staff costs		(10,855)	(20,464)
Other operating expenses		(46,028)	(83,598)
Finance costs		<u>(93,735)</u>	<u>(159,995)</u>
Loss before tax		(2,307)	(294,450)
Income tax expense	7	<u>–</u>	<u>(10,272)</u>
Loss after tax from continuing operations		<u>(2,307)</u>	<u>(304,722)</u>
DISCONTINUED OPERATION			
Loss for the period from a discontinued operation	8	<u>–</u>	<u>(10,817)</u>
Loss for the period		(2,307)	(315,539)
Loss for the period attributable to ordinary shareholders of the Company			
– from continuing operations		(33,628)	(336,360)
– from discontinued operation		<u>–</u>	<u>(10,817)</u>
Loss for the period attributable to ordinary shareholders of the Company		(33,628)	(347,177)

	<i>NOTES</i>	For the six months ended 30 June	
		2020 HK\$000 (Unaudited)	2019 HK\$000 (Unaudited) (Restated)
Profit for the period attributable to holder of the perpetual bond instruments			
– from continuing operations		31,321	31,638
– from discontinued operation		<u>–</u>	<u>–</u>
		31,321	31,638
		(2,307)	(315,539)
Other comprehensive income for the period			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translating foreign operations		<u>4,903</u>	<u>363</u>
		2,596	(315,176)
(Loss)/profit and total comprehensive (expense)/income for the period attributable to:			
Ordinary shareholders of the Company		(28,725)	(346,814)
Holder of the perpetual bond instruments		<u>31,321</u>	<u>31,638</u>
		2,596	(315,176)
Loss per share			
From continuing and discontinued operation			
– Basic (HK cents)	10	<u>(1.85)</u>	<u>(19.12)</u>
From continuing operations			
– Basic (HK cents)	10	<u>(1.85)</u>	<u>(18.52)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2020

	<i>NOTES</i>	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Plant and equipment	<i>11</i>	25,856	33,131
Intangible asset		1,840	1,840
Right-of-use assets		79,870	131,685
Financial investments	<i>13</i>	938,000	885,225
Finance lease receivables	<i>14</i>	572,338	534,180
Rental deposits	<i>15</i>	21,106	21,500
		<hr/>	<hr/>
Total non-current assets		1,639,010	1,607,561
CURRENT ASSETS			
Trade and other receivables	<i>15</i>	27,169	43,490
Financial investments	<i>13</i>	1,535,363	1,839,809
Finance lease receivables	<i>14</i>	464,641	552,020
Loan and debt instruments	<i>12</i>	1,184,247	1,285,548
Amounts due from fellow subsidiaries		4,608	1,580
Amount due from an intermediate holding company		1,050	258
Tax recoverable		–	2,725
Deposits in other financial institutions		127,929	89,957
Pledged bank deposits		13,000	–
Bank balances and cash		823,799	927,246
		<hr/>	<hr/>
Total current assets		4,181,806	4,742,633

	<i>NOTES</i>	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
CURRENT LIABILITIES			
Trade and other payables	<i>16</i>	36,505	39,065
Interest-bearing borrowings	<i>17</i>	1,332,664	676,218
Financial assets sold under repurchase agreements		–	97,101
Amount due to fellow subsidiaries		4,667	13,671
Amount due to the immediate holding company		49,348	40,687
Lease liabilities		51,058	65,083
Tax payables		38,945	39,820
Derivative financial liabilities		3,839	1,414
		<hr/>	<hr/>
Total current liabilities		1,517,026	973,059
		<hr/>	<hr/>
NET CURRENT ASSETS		2,664,780	3,769,574
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		4,303,790	5,377,135
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Interest-bearing borrowings	<i>17</i>	2,893,010	3,903,905
Lease liabilities		109,479	172,824
Deposits from finance lease customers	<i>16</i>	16,334	18,035
		<hr/>	<hr/>
Total non-current liabilities		3,018,823	4,094,764
		<hr/>	<hr/>
NET ASSETS		1,284,967	1,282,371
		<hr/> <hr/>	<hr/> <hr/>
CAPITAL AND RESERVES			
Share capital	<i>18</i>	18,160	18,160
Perpetual capital instruments		1,424,115	1,392,794
Reserves		(157,308)	(128,583)
		<hr/>	<hr/>
TOTAL EQUITY		1,284,967	1,282,371
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2020

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 16/F and 17/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 (which was discontinued in December 2019, and details are set out in note 8).

The unaudited interim financial information of the Group is presented in Hong Kong Dollars (“**HK\$**”), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The interim financial information has been prepared in accordance with 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 interim financial information has been prepared on the historical cost basis except for certain financial instruments (including financial instruments and derivative financial liabilities), which are measured at fair values, as appropriate.

The presentation of comparative information in respect of the consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2019 has been restated in order to disclose the discontinued operation separately from continuing operations.

Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period’s financial information.

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

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

- (a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.
- (c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The amendments did not have any significant impact on the Group's interim financial information.
- (d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any significant impact on the Group's interim financial information.

3. REVENUE

Disaggregation of revenue from contracts with customers

For the six months ended 30 June 2020

Segment	Continuing operations Financial services and others HK\$'000
Type of service	
Income from provision of business consulting services and others	2,080
Total	2,080
Geographical markets	
Mainland China	2,080
Hong Kong	—
Total	2,080
Timing of revenue recognition	
At a point in time	—
Over time	2,080
Total	2,080
Revenue from contracts with customers	2,080
Interest income from loan and debt instruments	53,464
Interest income from finance lease receivables	36,137
Interest income from financial assets at fair value through profit or loss	19,526
Dividend income	360
Total	111,567

For the six months ended 30 June 2019

Segment	Discontinued operation Foundation and substructure construction services <i>HK\$'000</i>	Continuing operations Financial services and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Type of service			
Income from construction services	348,309	–	348,309
Income from provision of business consulting services and others	–	27,556	27,556
Total	<u>348,309</u>	<u>27,556</u>	<u>375,865</u>
Geographical markets			
Mainland China	–	22,656	22,656
Hong Kong	348,309	4,900	353,209
Total	<u>348,309</u>	<u>27,556</u>	<u>375,865</u>
Timing of revenue recognition			
At a point in time	–	–	–
Over time	348,309	27,556	375,865
Total	<u>348,309</u>	<u>27,556</u>	<u>375,865</u>
Revenue from contracts with customers			375,865
Interest income from loan and debt instruments			100,314
Interest income from finance lease receivables			47,939
Interest income from financial assets at fair value through profit or loss			39,918
Dividend income			35,365
Total			<u>599,401</u>

4. OPERATING SEGMENT INFORMATION

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

For the management reporting purpose, the Group is currently organised into two 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 operating and reportable segments are as follows:

Continuing operations

- (1) Direct investments – direct investments 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.

Segment revenues and results

The following tables present the revenue and results for the six months ended 30 June 2020 and 2019 and certain assets, liabilities and expenditure information for the Group's operating segments as at 30 June 2020 and 31 December 2019 and for the period then ended.

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

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

Six months ended 30 June 2020 (unaudited)

	Continuing operations		Total <i>HK\$'000</i>
	Direct investments <i>HK\$'000</i>	Financial services and others <i>HK\$'000</i>	
Segment revenue	<u>73,350</u>	<u>38,217</u>	<u>111,567</u>
Segment result	<u>(6,039)</u>	<u>16,654</u>	<u>10,615</u>
Unallocated income and expenses			
Other losses			(3,260)
Other income			2,286
Other operating expenses			(987)
Finance costs			<u>(10,961)</u>
Loss before tax			<u>(2,307)</u>

Six months ended 30 June 2019 (unaudited and restated)

	Direct investments <i>HK\$'000</i>	Continuing operations Financial services and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>175,597</u>	<u>75,495</u>	<u>251,092</u>
Segment result	<u>(260,679)</u>	<u>(27,351)</u>	(288,030)
Unallocated income and expenses			
Other losses			(3,532)
Other income			1,631
Other operating expenses			(1,512)
Finance costs			<u>(3,007)</u>
Loss before tax			<u>(294,450)</u>

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

Segment assets and liabilities

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

	30 June 2020 <i>HK\$'000</i> (Unaudited)	31 December 2019 <i>HK\$'000</i> (Audited)
Segment assets		
Continuing operations		
Direct investments	3,851,909	4,069,756
Financial services and others	1,157,108	1,134,607
Total segment assets	5,009,017	5,204,363
Unallocated corporate assets	811,799	1,145,831
Total consolidated assets	5,820,816	6,350,194
Segment liabilities		
Continuing operations		
Direct investments	730,863	117,814
Financial services and others	203,577	225,468
Total segment liabilities	934,440	343,282
Unallocated corporate liabilities	3,601,409	4,724,541
Total consolidated liabilities	4,535,849	5,067,823

Included in unallocated corporate assets and liabilities, certain bank balances and cash, certain pledged bank deposits, certain deposits in other financial institutions, certain plant and equipment, certain right-of-use assets, amounts due from/(to) fellow subsidiaries, certain trade and other receivables, certain rental deposits, amount due from an intermediate holding company, amount due to the immediate holding company, certain lease liabilities, certain tax payables, certain interest-bearing borrowings, 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 gains/(losses) on financial investments and net realised gains on financial investments are included in the profit and loss allocated to direct investments segment.

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

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net unrealised gains/(losses) on financial investments		
Unrealised gains/(losses) on financial assets at fair value through profit or loss	<u>54,554</u>	<u>(202,279)</u>
Net realised gains on financial investments		
Realised gains on financial assets at fair value through profit or loss	<u>28,416</u>	<u>23,364</u>

6. NET RECOGNITION OF IMPAIRMENT LOSSES

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)
Continuing operations		
Net impairment loss recognised in respect of:		
– finance lease receivables	(8,177)	(21,269)
– loan and debt instruments	(31,318)	(50,137)
– trade and other receivables	–	(29,151)
	<u>(39,495)</u>	<u>(100,557)</u>
Discontinued operation		
Net impairment loss (recognised)/reversed in respect of:		
– contract assets	–	993
– trade and other receivables	–	(2,759)
	<u>–</u>	<u>(1,766)</u>

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (30 June 2019: 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 2019: 25%).

	For the six months ended 30 June	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited) (Restated)
Continuing operations		
Current tax		
Hong Kong	–	188
PRC	–	6,059
	–	6,247
Deferred tax	–	4,025
Income tax expense	–	10,272

8. DISCONTINUED OPERATION

On 27 September 2019, the Company and Acute Peak Investments Limited (“**Acute Peak**”), which is 50% owned by Mr. Kwan Wai Ming (“**Mr. Kwan**”), an ex-executive director of the Company and a director of Acute Peak, and Mr. Leung Kam Chuen (“**Mr. Leung**”), a director of Acute Peak, entered into a share purchase agreement in relation to the disposal, pursuant to which the Company agreed to sell, and Acute Peak agreed to purchase, the entire issued share capital of a subsidiary of the Company, Auto Brave Limited and its subsidiaries (the “**Disposal group**”), which carried out all of the Group’s foundation and substructure construction operation, at the consideration of HK\$290,000,000 by setting off in full against the Group’s obligations to repay the outstanding balance owned to the Disposal group amounting to HK\$311,798,000. The disposal was effected to enable the Group to focus on its remaining businesses and was completed on 9 December 2019, on which date the control of Auto Brave Limited was passed to the acquirer. The consideration was satisfied in the repayment of HK\$21,798,000 by the Company to the Disposal Group before the completion date of the disposal. Accordingly, the results of the Disposal Group for the six months ended 30 June 2019 have been presented as a discontinued operation in the interim financial information.

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

	1.1.2019 9.12.2019 <i>HK\$'000</i> (Audited)	1.1.2019 30.6.2019 <i>HK\$'000</i> (Unaudited)
Loss of the foundation and substructure construction operation for the period	(6,788)	(10,817)
Gain on disposal of the foundation and substructure construction operation	<u>283,825</u>	<u>–</u>
	<u><u>277,037</u></u>	<u><u>(10,817)</u></u>

The results of the foundation and substructure construction operation for the period from 1 January 2019 to 30 June 2019, which have been included in the condensed consolidated statement of profit or loss and other comprehensive income were as follows:

	1.1.2019 9.12.2019 <i>HK\$'000</i> (Audited)	1.1.2019 30.6.2019 <i>HK\$'000</i> (Unaudited)
Revenue		
Income from construction services	<u>643,266</u>	<u>348,309</u>
Total revenue	643,266	348,309
Other gains	5,481	4,459
Net recognition of impairment losses	(1,901)	(1,766)
Other income	16,045	14,177
Labour costs for construction business	(50,368)	(28,870)
Other staff costs	(14,373)	(7,795)
Material and subcontractor costs	(483,622)	(261,198)
Other construction costs	(104,952)	(72,508)
Other operating expenses	(16,655)	(8,471)
Finance costs	<u>(2,689)</u>	<u>(1,906)</u>
Loss before tax	(9,768)	(15,569)
Income tax credit	<u>2,980</u>	<u>4,752</u>
Loss for the period	<u><u>(6,788)</u></u>	<u><u>(10,817)</u></u>

9. DIVIDENDS

No dividends were paid, declared or proposed by the Company during the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

10. LOSS PER SHARE

For continuing operations

The calculation of the basic loss per share attributable to the owners of the Company is based on the followings:

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)
Loss		
Loss for the period attributable to the ordinary shareholders of the Company	(33,628)	(347,177)
Adjust for: Loss for the period from discontinued operation	<u>–</u>	<u>10,817</u>
Loss for the purpose of basic loss per share from continuing operations	<u>(33,628)</u>	<u>(336,360)</u>

	For the six months ended 30 June	
	2020	2019
	'000	'000
	(Unaudited)	(Audited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>1,816,000</u>	<u>1,816,000</u>

From continuing and discontinued operations

The calculation of the basic loss per share from continuing and discontinued operations attributable to the ordinary shareholders of the Company is based on the followings:

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Loss		
Loss for the purpose of basic loss per share	<u>(33,628)</u>	<u>(347,177)</u>

The denominator used is the same as that detail above for basic loss per share.

From discontinued operation

Basic earnings per share for the discontinued operation is nil per share (2019: loss per share of HK\$0.60 cents per share), based on the loss for the period from the discontinued operation of HK\$ nil (2019: loss of HK\$10,817,000) and the denominators detailed above for basic loss per share.

No diluted loss per share were presented as there were no potential ordinary shares in issue for the six months ended 30 June 2020 and 2019.

11. PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired approximately HK\$977,000 (six months ended 30 June 2019: HK\$16,115,000) of plant and equipment.

Plant and equipment with a net carrying amount of approximately HK\$1,188,000 (six months ended 30 June 2019: HK\$13,302,000) were disposed of by the Group during the six months ended 30 June 2020, resulting in a net loss on disposal of approximately HK\$743,000 (six months ended 30 June 2019: net gain on disposal of approximately HK\$4,360,000).

12. LOAN AND DEBT INSTRUMENTS

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Loan receivables	813,499	812,789
Less: Provision for impairment losses	(361,862)	(352,249)
	451,637	460,540
Unlisted debt instruments	1,123,232	1,199,806
Less: Provision for impairment losses	(390,622)	(374,798)
	732,610	825,008
Total	1,184,247	1,285,548

As at 30 June 2020 and 31 December 2019, all loan and debt instruments are current assets.

At 30 June 2020, the above loan and debt instruments bear fixed interest rates ranging from 7% to 13% per annum (31 December 2019: from 7% to 13% per annum).

Movements in the allowances for impairment are as follows:

	<i>HK\$'000</i>
At 1 January 2019	46,770
Net recognition of impairment losses for the period	686,632
Exchange difference arising on translation of foreign operations	(6,355)
At 31 December 2019 (Audited)	727,047
Net recognition of impairment losses for the period	31,318
Exchange difference arising on translation of foreign operations	(5,881)
At 30 June 2020 (Unaudited)	752,484

13. FINANCIAL INVESTMENTS

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Financial assets at fair value through profit or loss		
Non-current		
– Unlisted fund investments	874,250	824,024
– Unlisted exchangeable note	63,750	61,201
	<u>938,000</u>	<u>885,225</u>
Current		
– Equity securities listed in Hong Kong and Australia	85,292	122,190
– Listed debt instruments	799,291	1,053,032
– Unlisted put options on equity securities	56,852	51,435
– Unlisted fund investments	41,277	37,956
– Unlisted bonds and convertible bonds	507,256	509,170
– Unlisted foreign exchange forward contracts	42,520	38,939
– Unlisted equity forward contracts	–	26,110
– Unlisted foreign exchange option contract	2,875	977
	<u>1,535,363</u>	<u>1,839,809</u>
Analysed for reporting purposes as:		
Current assets	1,535,363	1,839,809
Non-current assets	938,000	885,225
	<u>2,473,363</u>	<u>2,725,034</u>

14. FINANCE LEASE RECEIVABLES

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)		30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Analysed for reporting purposes as:					
Current assets	464,641	552,020			
Non-current assets	572,338	534,180			
	<u>1,036,979</u>	<u>1,086,200</u>			
			Present value of minimum lease payments		
	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)		30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Finance lease receivables comprise:					
Within one year	780,160	796,452		661,425	726,628
After one year but within two years	542,584	447,955		514,495	408,075
After two years but within five years	203,361	297,324		197,231	286,017
	<u>1,526,105</u>	<u>1,541,731</u>		<u>1,373,151</u>	<u>1,420,720</u>
Less: Unearned finance income	(152,954)	(121,011)		–	–
	<u>1,373,151</u>	<u>1,420,720</u>		<u>1,373,151</u>	<u>1,420,720</u>
Less: Allowance for impairment losses	(336,172)	(334,520)		(336,172)	(334,520)
Carrying amount of lease receivables	<u>1,036,979</u>	<u>1,086,200</u>		<u>1,036,979</u>	<u>1,086,200</u>

Effective interest rate of the above finance lease receivables is ranging from 4.34% to 9.44% per annum (31 December 2019: 5.92% to 10.23% per annum).

As at 30 June 2020, the gross carrying amount of the finance lease receivables which have been pledged as security for the borrowing, is RMB316,384,000 (equivalent to HK\$346,366,000) (31 December 2019: RMB316,384,000 (equivalent to HK\$353,194,000)).

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

	<i>HK\$'000</i>
At 1 January 2019	138,144
Net recognition of impairment losses for the period	202,966
Exchange difference arising on translation of foreign operations	(6,590)
	<u>334,520</u>
At 31 December 2019 (Audited)	334,520
Net recognition of impairment losses for the period	8,177
Exchange difference arising on translation of foreign operations	(6,525)
	<u>336,172</u>
At 30 June 2020 (Unaudited)	<u>336,172</u>

15. TRADE AND OTHER RECEIVABLES

The following is an analysis of trade and other receivables at the end of the Reporting Period:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Trade receivables (Note (i))	50,244	50,501
Rental deposits (Note (iii))	21,106	27,347
Prepayments and other receivables	24,394	34,611
	95,744	112,459
Less: Provision for impairment losses on trade and other receivables (Note (ii))	(47,469)	(47,469)
Trade and other receivables	48,275	64,990
Analysed for reporting purposes as:		
Current assets	27,169	43,490
Non-current assets	21,106	21,500
	48,275	64,990

Notes:

- (i) Trade receivables are normally due within 30 days (2019: 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 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Within 1 month	2,775	3,032
1 to 3 months	-	-
Over 3 months	47,469	47,469
	50,244	50,501

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

	<i>HK\$'000</i>
At 1 January 2019	740
Provision for impairment losses for the period	<u>46,729</u>
At 31 December 2019 (Audited)	47,469
Provision for impairment losses for the period	<u>–</u>
At 30 June 2020 (Unaudited)	<u><u>47,469</u></u>

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

16. TRADE AND OTHER PAYABLES

The following is an analysis of trade and other payables at the end of the Reporting Period:

	30 June 2020	31 December 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Deposits from finance lease customers (Note)	25,638	21,776
Other payables, accruals and others	<u>27,201</u>	<u>35,324</u>
	<u><u>52,839</u></u>	<u><u>57,100</u></u>
Analysed for reporting purposes as:		
Current liabilities	36,505	39,065
Non-current liabilities	<u>16,334</u>	<u>18,035</u>
	<u><u>52,839</u></u>	<u><u>57,100</u></u>

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

17. INTEREST-BEARING BORROWINGS

	30 June 2020	31 December 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Bank loans	773,294	786,486
Other loans	<u>3,452,380</u>	<u>3,793,637</u>
	<u><u>4,225,674</u></u>	<u><u>4,580,123</u></u>
Secured	278,487	191,264
Unsecured	<u>3,947,187</u>	<u>4,388,859</u>
	<u><u>4,225,674</u></u>	<u><u>4,580,123</u></u>

The carrying amounts of the above borrowings are repayable*:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
With on demand clause	–	–
Within one year	1,332,664	676,218
Within a period of more than one year but not exceeding two years	780,029	922,430
Within a period of more than two years but not exceeding five years	974,683	2,143,165
Within a period of more than five years	1,138,298	838,310
	4,225,674	4,580,123
Less: Amounts due within one year shown under current liabilities	(1,332,664)	(676,218)
Amounts due from settlement after 12 months and shown under non-current liabilities	2,893,010	3,903,905

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

The Group has secured bank borrowings:

- (a) RMB135,126,000 (equivalent to approximately HK\$147,931,000) as at 30 June 2020 (2019: RMB171,330,000 (equivalent to approximately HK\$191,264,000)), secured by a finance lease receivable.
- (b) HK\$130,556,000 as at 30 June 2020 (2019: nil), secured by pledged bank deposits.

The Group has other loans from:

- (a) its immediate holding company, Right Select International Limited (“**Right Select**”) amounting to US\$337,836,000 (approximately HK\$2,619,265,000) and HK\$201,739,000 (2019: US\$375,032,000 (approximately HK\$2,920,694,000) and HK\$61,063,000);
- (b) fellow subsidiaries of the Company, amounting to HK\$1,169,000, RMB573,430,000 (approximately HK\$627,770,000) and US\$314,000 (approximately HK\$2,437,000) (2019: HK\$87,320,000, RMB576,133,000 (approximately HK\$643,163,000) and US\$10,452,000 (approximately HK\$81,397,000)).

All of the above other loans are unsecured and for the expansion of the Group’s business purpose.

As at 30 June 2020, the Group’s borrowings bear fixed interest rates ranging from 0.77% to 6.10% per annum (2019: 0.77% to 6.30% per annum), and variable interest rates ranging from 2.17% to 4.05% per annum (2019: 3.80% to 4.91% per annum).

18. SHARE CAPITAL

	Number of shares '000	Total value HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31 December 2019 and 30 June 2020	20,000,000	200,000
Issued and fully paid:		
At 31 December 2019 and 30 June 2020	<u>1,816,000</u>	<u>18,160</u>

19. SUBSEQUENT EVENTS

- (a) On 3 July 2020, the Board of Huarong International Financial Holdings Limited (“**HRIF**”) requested the Board of the Company to put forward a proposal regarding the privatization of the Company by HRIF by way of a scheme of arrangement under section 86 of the Companies Law (2020 Revision) of the Cayman Islands (as consolidated and revised from time to time). For further details, please refer to the joint announcement of the Company and HRIF dated 6 July 2020.
- (b) The Board of the Company announces that with effect from 25 August 2020, Mr. Yu Meng has tendered his resignation as an executive Director and ceased to be the chairman of the Board and the Company’s nomination committee (the “**Nomination Committee**”) and a member of the Company’s risk management committee (the “**Risk Management Committee**”); and Mr. Yang Rungui has been appointed as an executive Director, the chairman of the Board, the chairman of the Nomination Committee and a member of the Risk Management Committee. For further details, please refer to the announcement of the Company dated 25 August 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Pursue the Right Path, Rebound from Trough and Embrace Recovery

During the first half of 2020, Hong Kong and the rest of the world were severely affected by the novel coronavirus. Yet, the Group has continued to pursue its chosen path steadfastly, consolidated its business foundation, undertaken risk control and maintained stable development. In the first half of 2020, the Group recorded a significant decrease in loss compared to the same period of last year, falling from approximately HK\$316 million in the same period of last year to approximately HK\$2 million.

In the first half of 2020, the Group recorded a loss of approximately HK\$2 million (the Corresponding Period: loss of approximately HK\$316 million). The drastic decrease in loss for the Reporting Period was mainly due to unrealised gains of approximately HK\$55 million from financial investments, combined with a reduction of impairment loss to approximately HK\$39 million, recorded. Compared to unrealised losses of approximately HK\$202 million from financial investments and impairment loss of approximately HK\$101 million incurred during the Corresponding Period, the Company's performance has improved significantly.

Based on the assessment for overall conditions of the market, customers and collaterals, the Group made provisions for the investment on loan and debt instruments and finance leases receivables, amounting to approximately HK\$39 million (the Corresponding Period: approximately HK\$101 million). In addition, the unrealised earnings arising from changes in financial assets measured at fair value through profit or loss was approximately HK\$55 million (the Corresponding Period: loss of approximately HK\$202 million).

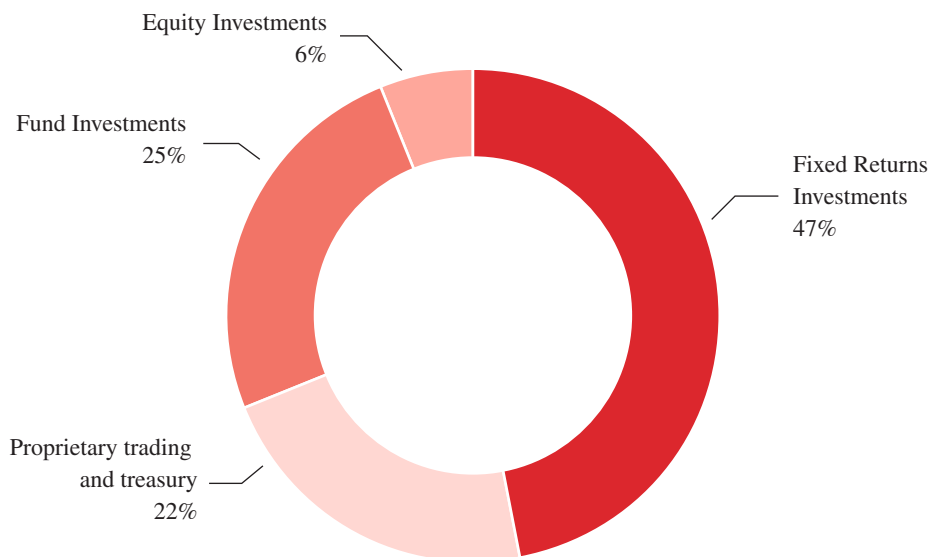
Despite an overall revenue decline, the Company's provision for loss has been greatly reduced, with unrealised earnings of investment products measured at fair value recorded during the Reporting Period. The Company's overall development is positive.

Direct Investment

Direct investment business mainly invested in equities, bonds, funds, derivative instruments and other financial products. As at 30 June 2020, the segment assets of direct investment business were approximately HK\$3,852 million (31 December 2019: approximately HK\$4,070 million), representing a decrease of approximately 5% as compared with that of 31 December 2019. During the Reporting Period, segment revenues of approximately HK\$73 million (the Corresponding Period: approximately HK\$176 million) and segment loss of approximately HK\$6 million (the Corresponding Period: segment loss of approximately HK\$261 million) were recorded.

The direct investment business of the Group is divided into four major categories, namely fixed returns investments, fund investments, equity investments and proprietary trading and treasury. Fixed returns investments mainly represented investment in private bonds, loans, convertible bonds and fixed income funds, which accounted for approximately 47% of the total investment assets. Such investment provided the Company with stable income and cash flow. The fund investments mainly represented investment in various funds investing in equity, which accounted for approximately 25% of the total investment assets. Equity investments accounted for approximately 6% 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 22% 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. The Group believes that the stable income of the Company is guaranteed by fixed returns investment, fund and equity investments which may bring potential and remarkable profit to the Group.

Direct Investment Assets (by Investment Categories)



Financial Services and Others

Financial services and other related services mainly include provision of finance lease services, business consulting 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 liquified 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 provided consulting services on macro-economy, industry analysis, financial product design and other aspects for customers.

As at 30 June 2020, the segment assets of the business of the financial services and others amounted to approximately HK\$1,157 million (31 December 2019: approximately HK\$1,135 million), representing an increase of approximately 2% as compared with that of 31 December 2019. During the Reporting Period, the segment revenue of approximately HK\$38 million (the Corresponding Period: approximately HK\$75 million) and the segment profit of approximately HK\$17 million (the Corresponding Period: segment loss of approximately HK\$27 million) were recorded.

OUTLOOK

In the first half of 2020, under the impact of sudden epidemic outbreak and overall decline of international economic conditions, the Company actively responded to the call of China Huarong Asset Management Co., Ltd. to implement work arrangements as planned early in the year, carry out epidemic prevention and control, take charge of operation management, discover its own advantages, explore the differentiated management model, optimize the structure of its business, customers and staff and enhance the economic capability of its service entity. Amid the business development, the Company will continue to promote the construction of quantitative analysis system for market risks to strengthen its ability to implement control and management measures for credit risks, strengthen its corporate governance and mechanism for risk prevention and control, in order to perfect the comprehensive system management to realize the Company's stable growth and development.

DEBTS AND CHARGE ON ASSETS

The total interest-bearing borrowings of the Group as at 30 June 2020 were approximately HK\$4,226 million (31 December 2019: approximately HK\$4,580 million). As at 30 June 2020, the secured borrowings were approximately HK\$278 million (31 December 2019: approximately HK\$191 million). The secured borrowings as at 30 June 2020 of approximately RMB135 million (equivalent to approximately HK\$148 million) was secured by a finance lease receivable and approximately HK\$131 million was secured by pledged bank deposits.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2020, the Group's bank balances and cash (including deposits in other financial institutions and pledged bank deposits) were approximately HK\$965 million (31 December 2019: approximately HK\$1,017 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 2020 (defined as total interest-bearing liabilities divided by the Group's total equity) was approximately 3.3 (31 December 2019: 3.6).

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 investments 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.

CAPITAL COMMITMENTS

The Group had no material capital commitments as at 30 June 2020 (31 December 2019: Nil).

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2020 (31 December 2019: Nil).

EVENTS AFTER THE REPORTING PERIOD

On 25 August 2020, Mr. Yu Meng has resigned as an Executive Director, the chairman of the Board, the chairman of the Nomination Committee and a member of the Risk Management Committee.

On 25 August 2020, Mr. Yang Rungui has been appointed as an Executive Director, the chairman of the Board, the chairman of the Nomination Committee and a member of the Risk Management Committee.

For details, please refer to the announcement of the Company dated 25 August 2020.

Pursuant to the credit framework agreement dated 9 June 2017, Zhongju (Shenzhen) Financial Leasing Co., Ltd. (the “**Lessor**”) and Shenzhen Yestock Automobile Service Co., Ltd. (the “**Lessee**”) entered into the finance leasing agreement dated 10 December 2019, where the Lessor agreed to purchase certain automobiles (the “**Leased Assets**”) from the Lessee at a consideration of RMB50 million (equivalent to approximately HK\$55.5 million), following which the Lessor agreed to lease back such Leased Assets to the Lessee for a term of one year from the date of purchase of such Leased Assets in return for a lease payment.

On 5 August 2020 (after trading hours), the Lessor and the Lessee have entered in the supplemental agreement to the finance leasing agreement, pursuant to which the parties agreed to extend the lease period of the finance leasing agreement to 18 December 2021.

For details, please refer to the announcement of the Company dated 5 August 2020.

On 3 July 2020, the board of directors of Huarong International Financial Holdings Limited (“**HRIF**”) requested the Board to put forward to the shareholders of the Company the proposal regarding the privatization of the Company by HRIF by way of a scheme of arrangement under section 86 of the Companies Law (2020 Revision) of the Cayman Islands (as consolidated and revised from time to time). Subject to the scheme regarding the cancellation of all the shares including those held by HRIF and the HRIF concert parties (the “**Scheme Shares**”) (the “**Scheme**”) becoming effective, the entire issued share capital of the Company will be owned by HRIF or its wholly owned subsidiary upon completion of the proposal. Under the proposal, HRIF will make a conditional share exchange offer to the shareholders of the Company for the cancellation of all the Scheme Shares, in exchange for newly issued shares of HRIF in the ratio of every one share of the Company held to 2.82 shares of HRIF, based on the holding of Scheme Shares on the record date (to be announced for determining entitlements under the Scheme). The implementation of the proposal is, and the Scheme will become effective and binding on the Company and all the shareholders of the Company, subject to the fulfillment or waiver (as applicable) of the conditions stated in the joint announcement dated 6 July 2020.

For details, please refer to the joint announcement of the Company and HRIF dated 6 July 2020.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020, the Group's continuing operations had 28 staff (31 December 2019: 33). The total staff costs incurred by the Group's continuing operations for the Reporting Period were approximately HK\$11 million (the Corresponding Period: approximately HK\$20 million).

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

INTERIM DIVIDEND

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

REVIEW OF THE INTERIM FINANCIAL INFORMATION

The audit committee of the Company (the "**Audit Committee**"), comprising Mr. Chan Kee Huen Michael as chairman of Audit Committee as well as Mr. Tse Chi Wai and Dr. Lam Lee G. as members, has reviewed with management the accounting policies and practices 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 unaudited interim financial information for the Reporting Period in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

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

PUBLICATION OF UNAUDITED INTERIM RESULTS AND INTERIM REPORT

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

SUPPLEMENTAL INFORMATION TO PREVIOUS ANNOUNCEMENT

Reference is made to the announcement of the Company dated 5 August 2020 in relation to a supplemental agreement to a finance leasing agreement entered into between a wholly owned subsidiary of the Company, Zhongju (Shenzhen) Financial Leasing Co., Ltd. as lessor and Shenzhen Yestock Automobile Service Co., Ltd. as lessee (the "**Announcement**"). The Company would like to further inform the Shareholders that as at the date of the Announcement, Shenzhen Yestock Automobile Service Co., Ltd. is ultimately controlled by Mr. Wang Jen Tse, who is independent of any member of the Group and its connected persons as defined under the Listing Rules.

By order of the Board
Huarong Investment Stock Corporation Limited
Yang Rungui
Chairman

Hong Kong, 26 August 2020

As at the date of this announcement, the executive Directors are Mr. Yang Rungui, Mr. Xu Xiaowu and Mr. Chen Qinghua; the non-executive Director is Ms. Wang Qi; and the independent non-executive Directors are Mr. Chan Kee Huen Michael, Mr. Tse Chi Wai and Dr. Lam Lee G.