



華融投資
HUARONG INVESTMENT

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



2020 Interim Report



Contents

Corporate Information	2
Management Discussion and Analysis	3
Other Information	8
Independent Review Report	14
Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	15
Interim Condensed Consolidated Statement of Financial Position	16
Interim Condensed Consolidated Statement of Changes in Equity	18
Interim Condensed Consolidated Statement of Cash Flows	19
Notes to the Interim Condensed Consolidated Financial Information	20
Glossary	50

Corporate Information

Directors

Executive Directors

Mr. Yang Rungui (*Chairman*)
Mr. Xu Xiaowu (*Chief Executive Officer*)
Mr. Chen Qinghua

Non-executive Director

Ms. Wang Qi

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
Dr. Lam Lee G.

Nomination Committee

Mr. Yang Rungui (*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. Yang Rungui
Dr. Lam Lee G.
Ms. Wang Qi

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

Suite B, Levels 16-17,
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

Ernst & Young

Certified Public Accountants
22/F., CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

Principal Share Registrar and Transfer Office

Ocorian 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

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
Fubon Bank (Hong Kong) Limited
Bank SinoPac

Stock Code

2277

Website

www.hriv.com.hk

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.

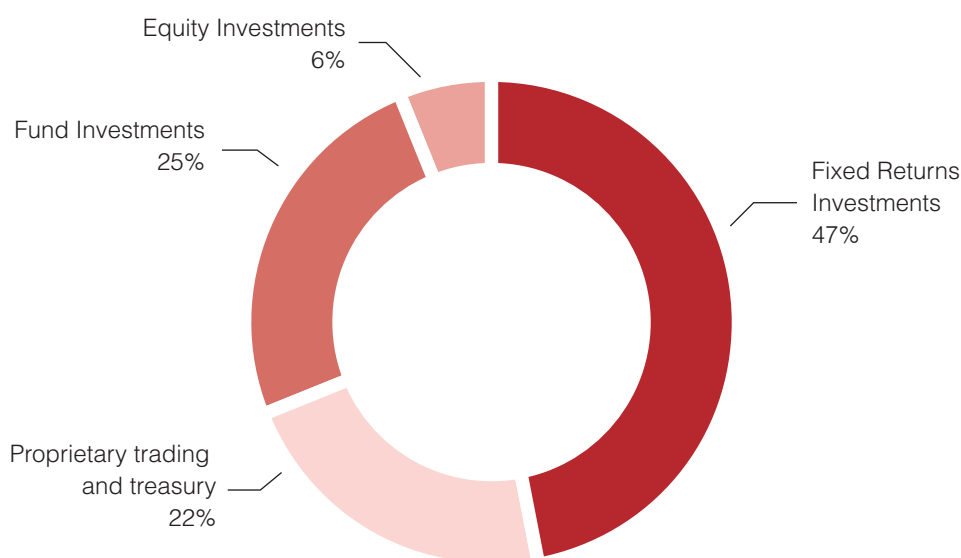
Direct Investment

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.

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 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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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).

Other Information

Review of the Interim Financial Information

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 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.

Directors' and Chief Executives' Interests in Securities

As at 30 June 2020, 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.

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 four 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 2020. 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 2020, 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 issued Shares (%)
Right Select	Beneficial owner (Note 1)	926,042,000	50.99%
CHIH	Interest of controlled corporation (Note 1)	926,042,000	50.99%
China Tian Yuan Asset Management Limited	Beneficial owner (Note 1)	353,375,000	19.46%
China Tian Yuan Manganese Finance (Holdings) Limited	Interest of controlled corporation (Note 2)	353,375,000	19.46%
China Tian Yuan Manganese Limited	Interest of controlled corporation (Note 2)	353,375,000	19.46%
Ningxia Tianyuan Manganese Industry Co., Ltd	Interest of controlled corporation (Note 2)	353,375,000	19.46%
	Security interest of controlled corporation (Note 2)	84,170,000	4.63%
Jia Tianjiang	Interest of controlled corporation (Note 2)	353,375,000	19.46%
	Security interest of controlled corporation (Note 2)	84,170,000	4.63%
Dong Jufeng	Interest of spouse (Note 2)	437,545,000	24.09%
Shinning Rhythm Limited	Security interest in Shares (Note 3)	437,545,000	24.09%
China Huarong Overseas Investment Holdings Co., Limited	Security interest of controlled corporation (Note 3)	437,545,000	24.09%
Huarong Huaqiao Asset Management Co., Ltd.	Security interest of controlled corporation (Note 3)	437,545,000	24.09%
Huarong Zhiyuan Investment & Management Co., Ltd.	Security interest of controlled corporation (Note 3)	437,545,000	24.09%
China Huarong	Interest of controlled corporation (Note 1)	926,042,000	50.99%
	Security interest of controlled corporation (Note 3)	437,545,000	24.09%

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 1.8% by Huarong Zhiyuan Investment & Management Co., Ltd., 13.4% by Huarong Real Estate Co., Ltd. and 84.8% by China Huarong. Therefore, China Huarong was deemed or taken to be interested in all the Shares beneficially owned by Right Select by virtue of the SFO.
2. Based on the notifications filed to the Company, 84,170,000 Shares were pledged to Tian Yuan Investment Holdings Co., Limited which is in turn wholly owned by Ningxia Tianyuan Manganese Industry Co., Ltd. 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 99.88% 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 the SFO.
3. Based on the notifications filed to the Company, 353,375,000 Shares and 84,170,000 Shares were pledged to Shinning Rhythm Limited respectively. 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 91% 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 437,545,000 Shares by virtue of the SFO, and therefore China Huarong was deemed to have approximately 75.08% of interest in the Company as at 30 June 2020.

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 2019:

Dr. Lam Lee G., an Independent Non-executive Director, has been appointed as an independent non-executive director of Greenland Hong Kong Holdings Limited (Stock Code: 337), the shares of which are listed on the Main Board of the Stock Exchange, with effect from 13 March 2020.

Dr. Lam Lee G. has been re-designated from an independent non-executive director to a non-executive director of Mingfa Group (International) Company Limited (Stock Code: 846), the shares of which are listed on the Main Board of the Stock Exchange, with effect from 23 April 2020.

Dr. Lam Lee G. resigned as a non-executive director 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 effect from 14 May 2020.

Other Information

Change of Auditors

Deloitte Touche Tohmatsu has retired as the auditors of the Company upon expiration of their terms of office with effect from the conclusion of the 2020 AGM and did not stand for re-appointment. The Board had resolved to propose the appointment of Ernst & Young as the new auditor of the Company (the “Proposed Appointment”) after the retirement of Deloitte Touche Tohmatsu and to hold office until the conclusion of the next annual general meeting, subject to the approval by the Shareholders at the 2020 AGM. The Board is of the view that the Proposed Appointment will align the audit arrangements between the Company and its controlling shareholder with a view to enhancing the efficiency of the audit services. The appointment of Ernst & Young as auditors has been approved at the 2020 AGM.

Disclosure Under Rule 13.21 of the Listing Rules

- 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.

- On 21 November 2019, the Company (as borrower) signed a short term revolving facility letter with a bank for an aggregate amount of US\$10,000,000 (or its equivalent amount in HK\$, EUR or RMB). The term of the facility is one year.

Under the short term revolving facility letter, (i) China Huarong, the controlling shareholder of the Company, should directly or indirectly hold not less than 50% shareholding of the Company; (ii) China Huarong should maintain its listing on the Stock Exchange; and (iii) China Huarong should maintain its ratings of two of Moody’s or S&P’s or Fitch not lower than BBB or approximate ratings. 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.

- On 17 April 2020, the Company (as borrower) signed a revolving loan facility letter with a bank for up to an aggregate amount of HK\$300,000,000 (or its equivalent amount in US\$). The facility is unsecured and be at all times available at the sole and absolute discretion of the bank.

The availability of the facility is subject to, among other things, a letter of comfort being issued by China Huarong, the controlling shareholder of the Company. Under the letter of comfort, as long as the facility remains outstanding, China Huarong has undertaken to, 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.

- On 20 May 2020, the Company (as borrower) signed a revolving facility letter with a bank for up to an aggregate amount of HK\$130,000,000. The credit period is 18 months.

Under the facility letter, as long as the facility remains outstanding, China Huarong should directly or indirectly hold not less than 50% shareholding 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 13 August 2019, 21 November 2019, 17 April 2020 and 20 May 2020 for further details.

Other Information

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.

Independent Review Report



Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

TO THE BOARD OF DIRECTORS OF
HUARONG INVESTMENT STOCK CORPORATION LIMITED
(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 15 to 49, which comprise the condensed consolidated statement of financial position of Huarong Investment Stock Corporation Limited (the “**Company**”) and its subsidiaries (the “**Group**”) as at 30 June 2020 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and 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 (“**HKICPA**”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made 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 HKICPA. A review of interim financial information 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 interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong

26 August 2020

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020 HK\$' 000 (Unaudited)	2019 HK\$' 000 (Unaudited) (Restated)
CONTINUING OPERATIONS			
Revenue			
Dividend and service income	3	2,440	62,921
Interest income	3	109,127	188,171
		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	6	(9,129)	(3,659)
Net recognition of impairment losses	7	(39,495)	(100,557)
Other income	8	2,398	1,646
Staff costs		(10,855)	(20,464)
Other operating expenses		(46,028)	(83,598)
Finance costs	9	(93,735)	(159,995)
Loss before tax	10	(2,307)	(294,450)
Income tax expense	11	–	(10,272)
Loss after tax from continuing operations		(2,307)	(304,722)
DISCONTINUED OPERATION			
Loss for the period from a discontinued operation	12	–	(10,817)
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		–	(10,817)
Loss for the period attributable to ordinary shareholders of the Company		(33,628)	(347,177)
Profit for the period attributable to holder of the perpetual bond instruments			
– from continuing operations		31,321	31,638
– from discontinued operation		–	–
		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		4,903	363
		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		31,321	31,638
		2,596	(315,176)
Loss per share			
From continuing and discontinued operation			
– Basic (HK cents)	14	(1.85)	(19.12)
From continuing operations			
– Basic (HK cents)	14	(1.85)	(18.52)

Interim Condensed Consolidated Statement of Financial Position

30 June 2020

	<i>Notes</i>	30 June 2020 HK\$' 000 (Unaudited)	31 December 2019 HK\$' 000 (Audited)
NON-CURRENT ASSETS			
Plant and equipment	15	25,856	33,131
Intangible asset		1,840	1,840
Right-of-use assets		79,870	131,685
Financial investments	17	938,000	885,225
Finance lease receivables	18	572,338	534,180
Rental deposits	19	21,106	21,500
Total non-current assets		1,639,010	1,607,561
CURRENT ASSETS			
Trade and other receivables	19	27,169	43,490
Financial investments	17	1,535,363	1,839,809
Finance lease receivables	18	464,641	552,020
Loan and debt instruments	16	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
Total current assets		4,181,806	4,742,633
CURRENT LIABILITIES			
Trade and other payables	20	36,505	39,065
Interest-bearing borrowings	21	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
Total current liabilities		1,517,026	973,059

Interim Condensed Consolidated Statement of Financial Position

30 June 2020

		30 June 2020 HK\$' 000 (Unaudited)	31 December 2019 HK\$' 000 (Audited)
	<i>Notes</i>		
NET CURRENT ASSETS		2,664,780	3,769,574
TOTAL ASSETS LESS CURRENT LIABILITIES		4,303,790	5,377,135
NON-CURRENT LIABILITIES			
Interest-bearing borrowings	21	2,893,010	3,903,905
Lease liabilities		109,479	172,824
Deposits from finance lease customers	20	16,334	18,035
Total non-current liabilities		3,018,823	4,094,764
NET ASSETS		1,284,967	1,282,371
CAPITAL AND RESERVES			
Share capital	22	18,160	18,160
Perpetual capital instruments		1,424,115	1,392,794
Reserves		(157,308)	(128,583)
TOTAL EQUITY		1,284,967	1,282,371

Mr. Yang Rungui
Director

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Attributable to owners of the parent										
	Attributable to ordinary shareholders of the Company							Retained earnings (accumulated losses)	Sub-total	Perpetual capital instruments	Total
	Share capital	Share premium	Capital reserve	Merger reserve	Statutory reserve	Exchange reserve	HK\$' 000				
HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	
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)/profit 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	
At 1 January 2020	18,160	558,060	7,164	(87,838)	35,675	(2,554)	(639,090)	(110,423)	1,392,794	1,282,371	
(Loss)/profit for the period	-	-	-	-	-	-	(33,628)	(33,628)	31,321	(2,307)	
Other comprehensive income for the period											
Exchange differences on translation of foreign operations	-	-	-	-	-	4,903	-	4,903	-	4,903	
Other comprehensive income for the period	-	-	-	-	-	4,903	-	4,903	-	4,903	
Total comprehensive income/(expenses) for the period	-	-	-	-	-	4,903	(33,628)	(28,725)	31,321	2,596	
At 30 June 2020 (unaudited)	18,160	558,060	7,164	(87,838)	35,675	2,349	(672,718)	(139,148)	1,424,115	1,284,967	

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 period.
- 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 period.
- 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.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020 HK\$' 000 (Unaudited)	2019 HK\$' 000 (Unaudited)
NET CASH FLOWS FROM OPERATING ACTIVITIES	298,050	670,841
INVESTING ACTIVITIES		
Purchase of plant and equipment	(977)	(16,115)
Proceeds from disposal of items of plant and equipment	445	13,302
Purchase of financial investments	(672,160)	(4,647,637)
Proceeds from disposal of financial investments	852,556	4,639,971
Refund of rental deposits	5,565	–
(Advances to)/repayment from fellow subsidiaries	(3,028)	2,604
Advances to the immediate holding company	–	(1,400)
Advances to an intermediate holding company	(792)	–
Placement of pledged bank deposits	(13,000)	–
Net cash flows from/(used in) investing activities	168,609	(9,275)
FINANCING ACTIVITIES		
New interest-bearing borrowings raised	398,344	1,527,061
Repayment of interest-bearing borrowings	(796,813)	(1,374,206)
Proceeds from financial assets sold under repurchase agreements	–	449,825
Repayments of financial assets sold under repurchase agreements	(97,359)	(583,411)
Repayments of lease liabilities	(34,342)	(43,424)
Interest paid	(16,094)	(154,547)
Repayment to related parties	–	(13,243)
(Repayment to)/advance from a fellow subsidiary	(9,004)	5,088
Advance from an immediate holding company	8,660	22,403
Net cash flows used in financing activities	(546,608)	(164,454)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(79,949)	497,112
Cash and cash equivalents at the beginning of the period	927,246	738,955
EFFECT OF FOREIGN EXCHANGE RATE CHANGE, NET	(26,994)	(13,095)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	820,303	1,222,972
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash as stated in the statement of financial position	823,799	1,222,972
Bank balances and cash with original maturity of more than three months	(3,496)	–
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows	820,303	1,222,972

Notes to the Interim Condensed Consolidated 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 12).

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

2. BASIS OF PREPARATION (Continued)

Changes in accounting policies and disclosures (Continued)

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.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

3. REVENUE (Continued)

Disaggregation of revenue from contracts with customers (Continued)

For the six months ended 30 June 2019

Segment	Discontinued operation Foundation and substructure construction services HK\$'000	Continuing operations 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 a point in time	–	–	–
Over time	348,309	27,556	375,865
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 fair value through profit or loss			39,918
Dividend income			35,365
Total			599,401

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

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.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

4. OPERATING SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

Six months ended 30 June 2020 (unaudited)

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

Six months ended 30 June 2019 (unaudited and restated)

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

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.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

4. OPERATING SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (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.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

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

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

6. OTHER LOSSES

An analysis of other losses is as follows:

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited) (Restated)
Continuing operations		
Net exchange losses	(20,537)	(3,534)
Net losses on disposal of plant and equipment	(743)	(125)
Other gains in respect of:		
– early termination of lease arrangements	4,787	–
– modification of a financial asset	7,364	–
	(9,129)	(3,659)
Discontinued operation		
Net gains on disposal of plant and equipment	–	4,459
	–	4,459
	(9,129)	800

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

7. NET RECOGNITION OF IMPAIRMENT LOSSES

	For the six months ended 30 June	
	2020 HK\$' 000 (Unaudited)	2019 HK\$' 000 (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)
	(39,495)	(100,557)
Discontinued operation		
Net impairment loss (recognised)/reversed in respect of:		
– contract assets	–	993
– trade and other receivables	–	(2,759)
	–	(1,766)
	(39,495)	(102,323)

8. OTHER INCOME

An analysis of other income is as follows:

	For the six months ended 30 June	
	2020 HK\$' 000 (Unaudited)	2019 HK\$' 000 (Unaudited) (Restated)
Continuing operations		
Bank interest income	2,279	1,630
Others	119	16
	2,398	1,646
Discontinued operation		
Bank interest income	–	26
Waiver of accrued interest payables	–	14,151
	–	14,177
	2,398	15,823

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

9. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited) (Restated)
Continuing operations		
Financial assets sold under repurchase agreements at amortised cost	425	6,210
Interest-bearing borrowings	90,165	146,966
Lease liabilities	3,145	6,819
	93,735	159,995
Discontinued operation		
Interest-bearing borrowings	—	1,647
Lease liabilities	—	259
	—	1,906
	93,735	161,901

10. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited) (Restated)
Continuing operations		
Depreciation in respect of plant and equipment	6,870	4,026
Depreciation of right-of-use assets	10,120	34,181
	16,990	38,207

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

11. 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 HK\$' 000 (Unaudited)	2019 HK\$' 000 (Unaudited) (Restated)
Continuing operations		
Current tax		
Hong Kong	–	188
PRC	–	6,059
	–	6,247
Over provision in prior year:		
PRC	–	–
	–	6,247
Deferred tax	–	4,025
Income tax expense	–	10,272

12. 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 interim 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 HK\$' 000 (Audited)	1.1.2019 30.6.2019 HK\$' 000 (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 (see note 25)	283,825	–
	277,037	(10,817)

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

12. DISCONTINUED OPERATION (Continued)

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 interim condensed consolidated statement of profit or loss and other comprehensive income were as follows:

	1.1.2019 9.12.2019 HK\$'000 (Audited)	1.1.2019 30.6.2019 HK\$'000 (Unaudited)
Revenue		
Income from construction services	643,266	348,309
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	(2,689)	(1,906)
Loss before tax	(9,768)	(15,569)
Income tax credit	2,980	4,752
Loss for the period	(6,788)	(10,817)

13. 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).

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

14. 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 HK\$'000 (Unaudited)	2019 HK\$'000 (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	–	10,817
Loss for the purpose of basic loss per share from continuing operations	(33,628)	(336,360)

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

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 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Loss		
Loss for the purpose of basic loss per share	(33,628)	(347,177)

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.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

15. 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).

16. 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:

	HK\$' 000
At 1 January 2019	46,770
Net recognition of impairment losses for the year	686,632
Exchange difference arising on translation of foreign operations	(6,355)
At 31 December 2019 (Audited) and 1 January 2020	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

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial information for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

At 30 June 2020, the Group provided HK\$752,484,000 (31 December 2019: HK\$727,047,000) impairment allowance for loan and debt instruments. A loss allowance of HK\$743,185,000 (31 December 2019: HK\$720,223,000) has been made on credit-impaired loan and debt instruments. During the current interim period, an additional impairment loss of HK\$28,844,000 (31 December 2019: HK\$703,881,000) has been recognised for several debtors due to the significant financial difficulty encountered by the debtors.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

17. 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 (Note (i))	874,250	824,024
– Unlisted exchangeable note (Note (v))	63,750	61,201
	938,000	885,225
Current		
– Equity securities listed in Hong Kong and Australia	85,292	122,190
– Listed debt instruments (Note (iii))	799,291	1,053,032
– Unlisted put options on equity securities (Note (iv))	56,852	51,435
– Unlisted fund investments (Note (i))	41,277	37,956
– Unlisted bonds and convertible bonds (Note (ii))	507,256	509,170
– Unlisted foreign exchange forward contracts	42,520	38,939
– Unlisted equity forward contracts (Note (vi))	–	26,110
– Unlisted foreign exchange option contract	2,875	977
	1,535,363	1,839,809
<i>Analysed for reporting purposes as:</i>		
Current assets	1,535,363	1,839,809
Non-current assets	938,000	885,225
	2,473,363	2,725,034

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

17. FINANCIAL INVESTMENTS (Continued)

Notes:

- (i) The unlisted fund investments represent investments in different private equity funds which includes an unlisted fund investment with a right to put back such investment to its General Partner at capital contributed amounting to approximately Renminbi (“RMB”) 80 million by the Group. The entire unlisted fund investment with the put right was classified as financial assets at FVTPL.
- (ii) The coupon rate of these bonds and convertible bonds are ranging from 5% to 8% (2019: from 5% 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 2020, the fair value of the instrument amounted to HK\$55,896,000 (2019: HK\$57,987,000), which was estimated by an independent valuer 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 an independent valuer not connected to the Group.

- (iii) As at 31 December 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\$130,964,000, 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 because the Group retains substantially all the risks and rewards of these listed debt instruments. The repurchase transaction was executed in February 2020 and the Group has not entered any repurchase agreements as at 30 June 2020.
- (iv) The fair value of the put option on equity securities was determined by an independent valuer not connected to the Group. Those related equity securities listed in Australia amounted to HK\$57,547,000 (31 December 2019: HK\$63,437,000). Such put option is expected to be realised within twelve months after the end of the Reporting Period.
- (v) The unlisted exchangeable note represents a note with principal amount of HK\$60,278,000 issued by a controlling shareholding of a listed company in Hong Kong with a conversion option to the ordinary shares of a listed company in Hong Kong. The unlisted exchangeable note carries a variable rate at 5% or 8% per annum, subject to the terms of the note. As at 30 June 2020, the fair value of the instrument amounted to HK\$63,750,000 (31 December 2019: HK\$61,201,000), which was estimated by an independent valuer not connected to the Group. The unlisted exchangeable note was subsequently redeemed in August 2020.
- (vi) On 24 December 2019, the Group entered into an agreement to sell a listed equity securities (included in the Group’s listed equity securities portfolio) upon completion of all conditions set out in the agreement. The agreement is accounted for as a forward contract. The listed equity was settled in January 2020.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

18. FINANCE LEASE RECEIVABLES

	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
	1,036,979	1,086,200

	Minimum lease payments		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
	1,526,105	1,541,731	1,373,151	1,420,720
Less: Unearned finance income	(152,954)	(121,011)	–	–
	1,373,151	1,420,720	1,373,151	1,420,720
Less: Allowance for impairment losses	(336,172)	(334,520)	(336,172)	(334,520)
Carrying amount of lease receivables	1,036,979	1,086,200	1,036,979	1,086,200

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:

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

18. FINANCE LEASE RECEIVABLES (Continued)

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial information for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

At 30 June 2020, the Group provided HK\$336,172,000 (31 December 2019: HK\$334,520,000) impairment allowance for finance lease receivables. A loss allowance of HK\$323,004,000 (31 December 2019: HK\$329,120,000) has been made on credit-impaired lessees. The credit-impaired finance lease receivables were secured by leased assets. During the current interim period, an additional impairment loss of HK\$249,000 (31 December 2019: HK\$222,052,000) has been recognised for several lessees due to the significant financial difficulty encountered by the debtors.

Sharing of office premises

On 23 December 2019, the Group has entered into an agreement to share its office premises to Huarong International Financial Holdings Limited, a fellow subsidiary of the Company with consent from the lessor of the head leases, with rentals payable monthly. The lease term is for a period of three years, with unilateral rights by the Group or by the fellow subsidiary of the Company to terminate the agreement by giving the other party at least one month notice. The Group assessed and concluded at lease commencement date that the Group are reasonably certain not to exercise the termination options. The Group is not exposed to foreign currency risk as a result of the lease arrangement, as the lease is denominated in the respective functional currencies of group entities.

The agreement does not contain residual value guarantee. The directors of the Company consider the terms of the agreement transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the fellow subsidiary as the lessee, the contract is classified as a finance lease. During the six months ended 30 June 2020, an amount of HK\$67,280,000 (31 December 2019: HK\$80,632,000) was transferred from right-of-use assets to finance lease receivables and is included in finance lease receivables at the end of the Reporting Period.

19. 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 to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

19. TRADE AND OTHER RECEIVABLES (Continued)

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:

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

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial information for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

At 30 June 2020, the Group provided HK\$47,469,000 (31 December 2019: HK\$47,469,000) impairment allowance for trade and other receivables. During the current interim period, nil impairment loss (31 December 2019: HK\$47,469,000) has been recognised for individual debtor with significant financial difficulty.

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

20. TRADE AND OTHER PAYABLES

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

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

Note:

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

21. INTEREST-BEARING BORROWINGS

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

21. INTEREST-BEARING BORROWINGS (Continued)

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).

22. 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	1,816,000	18,160

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

23. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in the condensed consolidated financial information, 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 followings are related parties of the Group:

Name of party	Relationships
Mr. Leung (Note)	Director of a subsidiary of the Company
Mr. Kwan (Note)	Executive Director of the Company
Mr. Liu Xiguang	Executive Director of the Company
Mr. Xu Xiaowu	Executive Director of the Company
Fortune Famous Engineering (Transportation) Company Limited ("Fortune Famous") (Note)	50% and 50% owned by Mr. Leung and Mr. Kwan respectively
Hongkong Gold Gate Enterprise Limited ("HKGG") (Note)	50% and 50% owned by Mr. Leung and Mr. Kwan respectively
Group Team Limited (Note)	50% and 50% owned by Mr. Leung and Mr. Kwan respectively
Acute Peak (Note)	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

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 2020. 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.

Note:

The directors of the Company are of the view that the parties were related parties to the Group up to 9 December 2019, which was the disposal date of the Disposal Group.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

23. RELATED PARTY TRANSACTIONS (Continued)

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

	Notes	For the six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Management fee income received from			
– Right Select	(i)	–	1,400
Other income: waive of accumulated accrued interest			
– Acute Peak	(ii)	–	14,150
Recharge of office rent, rates and management fee by			
– Group Team Limited	(i)	–	(1,562)
Operating lease payments of motor Vehicles to			
– Fortune Famous	(i)	–	(117)
– HKGG	(i)	–	(209)
Interest expense paid/payable to:			
– Mr. Leung	(i)	–	(206)
– Mr. Kwan	(i)	–	(168)
– 華融晟遠(江西)	(i)	(13,558)	(19,289)
– Right Select	(i)	(59,348)	(63,860)
– Treasure Map	(i)	(696)	(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 Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

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 Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

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 2020 HK\$'000	Fair value as at 31 December 2019 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: 85,292	Listed equity securities: 122,190	Level 1	Note (i)	N/A	N/A
2) Financial investments classified as financial assets at FVTPL	Unlisted equity forward contracts: –	Unlisted equity forward contracts: 26,110	Level 2	Note (ix)	N/A	N/A
3) Financial investments classified as financial assets at FVTPL	Listed debt instruments: 799,291	Listed debt instruments: 1,053,032	Level 2	Note (vi)	N/A	N/A
4) Financial investments classified as financial assets at FVTPL	Unlisted put options: 56,852	Unlisted put options: 51,435	Level 3	Note (v)	Volatility: 63.24% (31 December 2019: Volatility: 45.40%)	5% increase/(decrease) in volatility: HK\$778,000/ HK\$(757,000) (31 December 2019: 5% increase/ (decrease) in volatility: HK\$671,000/HK\$(650,000))
5) Financial investments classified as financial assets at FVTPL	Unlisted foreign exchange forward contracts: 42,520	Unlisted foreign exchange forward contracts: 38,939	Level 2	Note (vi)	N/A	N/A
6) Financial investments classified as financial assets at FVTPL	Unlisted foreign exchange option contracts: 2,875	Unlisted foreign exchange forward contracts: 977	Level 2	Note (vi)	N/A	N/A

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

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)

	Fair value as at 30 June 2020 HK\$'000	Fair value as at 31 December 2019 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)						
7) Financial investments classified as financial assets at FVTPL	Unlisted bonds and convertible bonds and exchangeable note: 571,006	Unlisted convertible bonds and exchangeable note: 570,371	Level 3	Notes (iii), (v) and (viii)	Volatility: 64.29% (31 December 2019: Volatility: 43.61%) Discount rate: Ranging from 7.31% to 49.42% (31 December 2019: Discount rate: Ranging from 8.97% to 34.18%) Net asset value	5% increase/(decrease) in volatility: HK\$207,000/ HK\$(200,000) (31 December 2019: 5% increase/ (decrease) in volatility: HK\$67,000/HK\$(31,000)) 5% (increase)/decrease in discount rate: HK\$(970,000)/HK\$989,000 (31 December 2019: 5% (increase)/ decrease in discount rate: HK\$(2,130,000)/ HK\$2,164,000) 5% increase/(decrease) in net asset value: HK\$20,456,000/ HK\$(20,456,000) (31 December 2019: 5% increase/(decrease) in net asset value: HK\$20,456,000/ HK\$(20,456,000))
8) Financial investments classified as financial assets at FVTPL	Unlisted fund investments: 101,031	Unlisted fund investments: 70,937	Level 2	Note (ii)	N/A	N/A
9) Financial investments classified as financial assets at FVTPL	Unlisted fund investments: 814,496	Unlisted fund investments: 791,043	Level 3	Note (iv) and (vii)	Net asset value and adjustment to the credit risk of the counterparty	5% increase/(decrease) in net asset value: HK\$40,725,000/ HK\$(40,725,000) (31 December 2019: 5% increase/(decrease) in net asset value: HK\$39,552,000/ HK\$(39,552,000))
Financial liabilities						
10) Financial liabilities classified as financial assets at FVTPL	Unlisted foreign exchange swap contracts: (3,839)	Unlisted foreign exchange swap contracts: (1,414)	Level 2	Note (vi)	N/A	N/A

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

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) 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.
- (vii) 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.
- (viii) The fair value was determined with reference to the fair value of the collaterals based on market approach with net asset value of the unlisted equity, market multiples of the comparable companies, and a discount reflecting the lack of marketability as key parameters.
- (ix) The fair value is based on the contractual selling price entered on 24 December 2019 with an independent third party and the closing price of the listed equity securities at 31 December 2019.

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

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

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 reconciliation of the Group's Level 3 fair value measurement of financial assets at FVTOCI and financial assets at FVTPL are as follows:

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Financial assets at FVTOCI		
At the beginning of the period	–	650
Transfer in	–	–
At the end of the period	–	650
Financial assets at FVTPL		
At the beginning of the period	1,412,849	2,062,259
Transfer into level 3 (Note (i))	–	694,093
Transfer out	–	–
Purchases during the period	13,854	65,222
Disposal during the period	–	(198,054)
Net fair value gain/(loss) recognised in profit or loss (Note (ii))	15,651	(187,269)
At the end of the period	1,442,354	2,436,251

Notes:

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the Reporting Period.

- (i) 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.
- (ii) The total gains or losses for the period included an unrealized gain of HK\$15,651,000 relating to level 3 financial assets that are measured at fair value as at 30 June 2020 (30 June 2019: a loss of HK\$187,269,000). Such fair value gains or losses are included in "Net unrealised gains/(losses) on financial assets at fair value through profit or loss".

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

25. DISPOSAL OF A SUBSIDIARY/BUSINESS

As referred to in note 12, the disposal of the Disposal Group was completed on 9 December 2019. The assets and liabilities of Auto Brave Limited at the date of disposal were as follows:

	2019 HK\$'000 (Audited)
Analysis of assets and liabilities over which control was lost:	
NON-CURRENT ASSETS	
Plant and equipment	50,082
Right-of-use assets	11,895
Total non-current assets	61,977
CURRENT ASSETS	
Contract assets	106,252
Trade and other receivables	27,700
Amounts due from a fellow subsidiary	290,000
Tax recoverable	5,038
Bank balances and cash	14,802
Total current assets	443,792
CURRENT LIABILITIES	
Trade and other payables	194,548
Interest-bearing borrowings	290,000
Amounts due to related parties	817
Lease liabilities	7,162
Contract liability	5,000
Total current liabilities	497,527
NET CURRENT LIABILITIES	(53,735)
TOTAL ASSETS LESS CURRENT LIABILITIES	8,242
NON-CURRENT LIABILITIES	
Lease liabilities	2,067
Total non-current liabilities	2,067
Net assets disposed of	6,175
Gain on disposal of a subsidiary:	
Consideration received and receivable	290,000
Net assets disposed of	(6,175)
Gain on disposal	283,825
Net cash outflow arising on disposal:	
Consideration	290,000
Offset of amount owned to the Disposal Group by the Group	(290,000)
Bank balances and cash disposed of	(14,802)
	(14,802)

The impact of the Disposal Group on the Group's results and cash flows in the current and prior periods is disclosed in note 12.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

26. 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.

Glossary

“2020 AGM”	the annual general meeting of the Company held on 5 June 2020
“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
“Concert Party(ies)”	has the meaning ascribed to it under the Hong Kong Code on Takeovers and Mergers
“Corresponding Period”	the six months ended 30 June 2019
“Director(s)”	director(s) of the Company
“Ernst & Young” or “EY”	Ernst & Young, the external auditor 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
“HRIF”	Huarong International Financial Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 993)

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
“Proposal”	the proposed privatization of the Company by HRIF by way of the Scheme involving the cancellation of the Scheme Shares, the restoration of the share capital of the Company to the amount immediately before the cancellation of the Scheme Shares by means of the issuance of new Shares to HRIF or its wholly owned subsidiary (as the case may be), and the delisting of Shares from the Stock Exchange, on the terms and subject to the conditions set out in the joint announcement of the Company and HRIF dated 6 July 2020
“Remuneration Committee”	the remuneration committee of the Company
“Reporting Period”	the six months ended 30 June 2020
“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
“Scheme”	the scheme of arrangement under section 86 of the Companies Law (2020 Revision) of the Cayman Islands (as consolidated and revised from time to time) involving, among other, the cancellation of all the Scheme Shares
“Scheme Share(s)”	all Shares including those held by HRIF and the HRIF Concert Parties
“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

Glossary

“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