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華融投資股份有限公司

HUARONG INVESTMENT STOCK CORPORATION LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2277)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS

- Revenue was approximately HK\$337,102,000 for the Reporting Period, representing an increase of approximately 7.4% as compared with the same for the Corresponding Period.
- Profit was approximately HK\$63,109,000 for the Reporting Period, representing an increase of approximately 201.8% as compared with the same for the Corresponding Period.
- Basic earnings per share amounted to approximately HK3.87 cents for the Reporting Period, representing an increase of approximately 103.7% as compared with the same for the Corresponding Period.
- The Board does not recommend payment of interim dividend for the Reporting Period.

The board (the “**Board**”) of directors (the “**Directors**”) of Huarong Investment Stock Corporation Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated interim financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2017 (the “**Reporting Period**”) together with the comparative figures for the six months ended 30 September 2016 (the “**Corresponding Period**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

		Six months ended	
		30 June 2017	30 September 2016
	NOTES	HK\$'000 (Unaudited)	HK\$'000 (Unaudited) (Represented) <i>(Note 2)</i>
Revenue			
Income from construction services	4	185,269	307,954
Dividend, interest and service income	4	151,833	6,007
		<u>337,102</u>	<u>313,961</u>
Net change in unrealised gain on financial assets at fair value through profit or loss		15,610	11,973
Net realised gain on disposal of investments		66,913	946
Other gain or losses	5	(20,442)	544
Other income		7,791	1,441
Labour costs for construction business		(28,047)	(39,945)
Other staff costs		(38,700)	(10,997)
Material and subcontractor costs		(85,786)	(181,562)
Other construction costs		(41,626)	(46,432)
Other operating expenses		(50,371)	(7,729)
Finance costs		(66,216)	(16,225)
Profit before tax		96,228	25,975
Income tax expense	6	(33,119)	(5,067)
Profit for the period		<u>63,109</u>	<u>20,908</u>
Other comprehensive income (expense) for the period			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale investments		53,141	–
Reclassification adjustments to profit or loss on disposal		(61,221)	–
Exchange differences arising on translating foreign operations		14,187	–
Other comprehensive income for the period, net of tax		<u>6,107</u>	<u>–</u>
Profit and total comprehensive income for the period attributable to owners of the Company		<u>69,216</u>	<u>20,908</u>
Earnings per share (<i>HK cents</i>)			
– Basic	8	<u>3.87</u>	<u>1.90</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*At 30 June 2017*

		30 June 2017	31 December 2016
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Plant and equipment		82,215	86,044
Intangible asset		1,840	1,840
Financial assets classified as receivables	<i>9</i>	192,453	193,580
Available-for-sale investments	<i>10</i>	1,423,940	925,033
Finance lease receivables	<i>11</i>	482,144	46,298
Loan receivables	<i>12</i>	265,196	–
Rental deposits		28,706	–
Deposit paid for acquisition of plant and equipment		–	2,220
		<hr/>	<hr/>
Total non-current assets		2,476,494	1,255,015
CURRENT ASSETS			
Finance lease receivables	<i>11</i>	146,153	9,598
Loan receivables	<i>12</i>	138,901	29,927
Financial assets classified as receivables		–	100,726
Deposits in other financial institutions		43,547	31,096
Financial assets at fair value through profit or loss	<i>13</i>	293,989	244,283
Held for trading investments	<i>14</i>	226,161	201,940
Amounts due from customers for contract work		14,399	43,840
Trade and other receivables	<i>15</i>	197,013	235,851
Amounts due from related parties		–	1,194
Bank balances and cash		3,327,865	1,452,372
		<hr/>	<hr/>
Total current assets		4,388,028	2,350,827
CURRENT LIABILITIES			
Amounts due to customers for contract work		2,752	15,002
Trade and other payables	<i>16</i>	150,000	234,933
Amounts due to related parties		9,787	16,609
Tax payables		34,000	21,557
Obligations under finance leases		7,846	7,633
Interest-bearing borrowings	<i>17</i>	3,329,398	320,000
		<hr/>	<hr/>
Total current liabilities		3,533,783	615,734
NET CURRENT ASSETS			
		<hr/> 854,245	<hr/> 1,735,093
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<hr/> 3,330,739	<hr/> 2,990,108

		30 June 2017	31 December 2016
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Obligations under finance leases		5,472	5,362
Interest-bearing borrowings	17	2,433,773	2,415,958
Deposits from finance lease investments		21,490	–
Deferred tax liabilities		6,748	6,748
		<hr/>	<hr/>
Total non-current liabilities		2,467,483	2,428,068
		<hr/>	<hr/>
NET ASSETS		863,256	562,040
		<hr/> <hr/>	<hr/> <hr/>
CAPITAL AND RESERVES			
Share capital	18	18,160	12,360
Reserves		845,096	549,680
		<hr/>	<hr/>
TOTAL EQUITY		863,256	562,040
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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 Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The registered office of the Company is located at Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.

On 6 January 2017, the Company entered into a subscription agreement with Right Select International Limited (“**Right Select**”), a direct wholly-owned subsidiary of China Huarong International Holdings Limited (“**CHIH**”), pursuant to which Right Select has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 580,000,000 ordinary shares of the Company (the “**Subscription Shares**”) in cash at a subscription price of HK\$0.40 per Subscription Share (the “**Subscription**”). The nominal value of the Subscription Shares was HK\$5,800,000. The aggregate subscription price of the Subscription Shares was HK\$232,000,000. Completion of the Subscription took place on 28 February 2017. The Subscription Shares have been duly allotted and issued to Right Select. Immediately after completion of the Subscription, there are a total sum of 1,816,000,000 shares of Company in issue. The aggregate shareholding directly held by Right Select upon the completion represented approximately 50.99% of the issued share capital of the Company as enlarged by the issuance of the Subscription Shares. Accordingly, Right Select became the immediately holding company and CHIH became an intermediate holding company of the Group. China Huarong Asset Management Co., Ltd., (“**China Huarong**”), a company established in the People’s Republic of the China (the “**PRC**”) of which shares are listed on the Stock Exchange, became the ultimate holding company of the Group. China Huarong is a PRC government related entity as it is controlled by the Ministry of Finance of the PRC.

The Company acts as an investment holding company and the principal activities of the Group are (i) direct investments; (ii) financial services and others; and (iii) foundation and substructure construction services.

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

2. BASIS OF PREPARATION

Starting from the financial period ended 31 December 2016, the reporting period end date of the Group changed from 31 March to 31 December in order to align the Company’s financial year end with that of those indirect wholly-owned subsidiaries of the Company. Accordingly, the unaudited condensed consolidated financial statements for the current period cover the six months ended 30 June 2017. The corresponding comparative amounts shown cover the six-month period from 1 April 2016 to 30 September 2016.

In prior years, the expenses of the Group were presented in the Group’s condensed consolidated statement of profit or loss and other comprehensive income by function. During the current year, the Directors considered that to analyse the expenses of the Group by nature is more useful and meaningful for the users of the Group’s condensed consolidated financial statements to assess the Group’s financial performance.

Accordingly, the presentation of the Group's condensed consolidated statement of profit or loss and other comprehensive income has been revised. The change of the presentation of the Group's condensed consolidated statement of profit or loss has no effects on the financial positions of the Group as at 31 December 2016 and 1 January 2016 and its financial performance for the six months ended 30 September 2016.

The effect of the change in the presentation from by function to by nature on corresponding items of the Group's condensed consolidated statement of profit or loss for the six months ended 30 September 2016 is as follows:

	30 September 2016 <i>HK\$'000</i> (as previously presented)	Changes in presentation <i>HK\$'000</i>	30 September 2016 <i>HK\$'000</i> (as represented)
Revenue	326,880	(326,880)	–
Income from construction services	–	307,954	307,954
Dividend, interest and service income	–	6,007	6,007
Cost of services	(267,939)	267,939	–
Net change in unrealised gain on financial assets at fair value through profit or loss	–	11,973	11,973
Net realised gain on disposal of investments	–	946	946
Other gain or losses	–	544	544
Other income	1,985	(544)	1,441
Administrative expenses	(18,726)	18,726	–
Labour costs for construction business	–	(39,945)	(39,945)
Other staff costs	–	(10,997)	(10,997)
Material and subcontractor costs	–	(181,562)	(181,562)
Other construction costs	–	(46,432)	(46,432)
Other operating expenses	–	(7,729)	(7,729)

The unaudited condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” 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 unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

The application of amendments to HKFRSs issued by the HKICPA that are mandatory effective for the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

However, the amendment to HKAS 7 will result in more disclosures relating to the reconciliation of liabilities arising from financing activity in the Group's annual consolidated financial statements which included: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2016.

3. 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 management reporting purpose, the Group is currently organised into three business lines. These business lines are the basis on which the Group reports information to its chief operating decision makers, who are the executive Directors and the senior management of the Company, for the purposes of resource allocation and assessment of segment performance.

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

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

During the year ended 31 December 2016, the business segment of “finance leasing and direct investment” was further divided into two segments, the “direct investments” segment and the “financial services and others” segment. The new business lines and the segment information of these operating segments are reported by the Group to its chief operating decision makers. Therefore, the comparative figures of the segment information have been represented to conform to the current period presentation.

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

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

Six months ended 30 June 2017 (unaudited)

	Direct investments HK\$'000	Financial services and others HK\$'000	Foundation and substructure construction services HK\$'000	Total HK\$'000
Segment revenue	<u>62,930</u>	<u>88,903</u>	<u>185,269</u>	<u>337,102</u>
Segment results	<u>52,504</u>	<u>76,767</u>	<u>(4,741)</u>	124,530
Unallocated income and expenses				
Other gain or losses				(8,701)
Other income				7,207
Staff cost and other operating expenses				(7,672)
Finance costs				<u>(19,136)</u>
Profit before tax				<u>96,228</u>

Six months ended 30 September 2016 (unaudited and represented)

	Direct investments <i>HK\$'000</i>	Financial services and others <i>HK\$'000</i>	Foundation and substructure construction services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>200</u>	<u>5,807</u>	<u>307,954</u>	<u>313,961</u>
Segment results	<u>9,514</u>	<u>4,728</u>	<u>20,020</u>	34,262
Unallocated income and expenses				
Other gain or losses				544
Other income				883
Staff cost and other operating expenses				(91)
Finance costs				<u>(9,623)</u>
Profit before tax				<u>25,975</u>

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

	As at 30 June 2017 <i>HK\$'000</i> (Unaudited)	As at 31 December 2016 <i>HK\$'000</i> (Audited)
Segment assets		
Direct investments	2,084,095	1,726,585
Financial services and others	804,831	62,441
Foundation and substructure construction services	544,334	347,298
Total segment assets	3,433,260	2,136,324
Unallocated corporate assets	3,431,262	1,469,518
Total consolidated assets	<u>6,864,522</u>	<u>3,605,842</u>
Segment liabilities		
Direct investments	8,174	62
Financial services and others	432,108	2,241
Foundation and substructure construction services	516,028	193,553
Total segment liabilities	956,310	195,856
Unallocated corporate liabilities	5,044,956	2,847,946
Total consolidated liabilities	<u>6,001,266</u>	<u>3,043,802</u>

4. INCOME FROM CONSTRUCTION SERVICES, AND DIVIDEND, INTEREST AND SERVICE INCOME

An analysis of the Group's income is as follows:

	Six months ended	
	30 June 2017 HK\$'000 (Unaudited)	30 September 2016 HK\$'000 (Unaudited) (Represented)
Income from construction services		
Foundation and substructure construction services	185,269	307,954
Dividend, interest and service income		
Dividend income	32,729	–
Interest income from loan receivables	14,361	–
Interest income from financial assets classified as receivables	11,186	200
Interest income from financial lease receivables	7,856	–
Interest income from convertible bonds	4,654	–
Income from provision of business consulting services and others	81,047	5,807
	<u>151,833</u>	<u>6,007</u>
Total	<u><u>337,102</u></u>	<u><u>313,961</u></u>

5. OTHER GAIN OR LOSSES

An analysis of other gain or losses is as follows:

	Six months ended	
	30 June 2017 HK\$'000 (Unaudited)	30 September 2016 HK\$'000 (Unaudited) (Represented)
Net exchange losses	(9,196)	–
Net gain on disposal of plant and equipment	495	544
Bad debts on trade receivables of construction services	(8,741)	–
Impairment loss on retention receivables	(3,000)	–
	<u>(20,442)</u>	<u>544</u>
Other (losses)/gain	<u><u>(20,442)</u></u>	<u><u>544</u></u>

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (30 September 2016: 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”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (30 September 2016: Nil).

	Six months ended	
	30 June 2017 HK\$'000 (Unaudited)	30 September 2016 HK\$'000 (Unaudited)
Current tax		
Hong Kong	15,623	4,957
PRC	<u>17,496</u>	<u>–</u>
	33,119	4,957
Deferred tax	<u>–</u>	<u>110</u>
	<u>33,119</u>	<u>5,067</u>

7. DIVIDENDS

No dividends were paid, declared or proposed by the Company during the six months ended 30 June 2017 (six months ended 30 September 2016: Nil).

8. EARNINGS PER SHARE

The calculations of basic earnings per share attributable to the owners of the Company are based on the following:

	Six months ended	
	30 June 2017 HK\$'000 (Unaudited)	30 September 2016 HK\$'000 (Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share	<u>63,109</u>	<u>20,908</u>
	<u>63,109</u>	<u>20,908</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>1,630,144</u>	<u>1,097,726</u>
	<u>1,630,144</u>	<u>1,097,726</u>

No diluted earnings per share were presented as there were no potential ordinary shares in issue for both of the six months ended 30 June 2017 and 30 September 2016.

9. FINANCIAL ASSETS CLASSIFIED AS RECEIVABLES

	As at 30 June 2017 <i>HK\$'000</i> (Unaudited)	As at 31 December 2016 <i>HK\$'000</i> (Audited)
Unlisted debt instruments	<u>192,453</u>	<u>193,580</u>

Financial assets classified as receivables are not impaired as of 30 June 2017 and 31 December 2016.

The debt instruments are freely transferrable and secured by guarantees and collaterals. Regular reviews on the receivables are conducted by the risk management department based on the latest status of the receivables, and the latest announced or available information about the borrowers and the underlying collateral held.

10. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2017 <i>HK\$'000</i> (Unaudited)	31 December 2016 <i>HK\$'000</i> (Audited)
Unlisted investment funds	1,000,940	925,033
Unlisted bond investment	<u>423,000</u>	<u>–</u>
	<u>1,423,940</u>	<u>925,033</u>

During the period, the net gain in respect of changes in fair value of the Group's available-for-sale investments recognised in other comprehensive income amounted to approximately HK\$53,141,000 (six months ended 30 September 2016: nil). A gain of approximately HK\$61,221,000 was reclassified from other comprehensive income to profit or loss upon disposal during the period (six months ended 30 September 2016: nil).

11. FINANCE LEASE RECEIVABLES

	30 June 2017 <i>HK\$'000</i> (Unaudited)	31 December 2016 <i>HK\$'000</i> (Audited)
Analysed for reporting purposes as:		
Current receivables	146,153	9,598
Non-current receivables	<u>482,144</u>	<u>46,298</u>
	<u>628,297</u>	<u>55,896</u>

Minimum lease payments		Present value of minimum lease payments	
30 June 2017	31 December 2016	30 June 2017	31 December 2016
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Unaudited)	(Audited)	(Unaudited)	(Audited)

Finance lease receivables comprise:

Within one year	186,854	12,750	146,153	9,598
After one year but within two years	161,881	27,999	130,781	25,889
After two years but within five years	391,879	20,999	351,363	20,409
	740,614	61,748	628,297	55,896
Less: unearned finance income	(112,317)	(5,852)	N/A	N/A
Present value of lease receivables	628,297	55,896	628,297	55,896

Effective interest rates of the above finance leases are ranging from 5.90% to 7.71% per annum (31 December 2016: 5.75% per annum).

12. LOAN RECEIVABLES

The following is an analysis of loan receivables at the end of the Reporting Period:

	30 June 2017	31 December 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Fixed-rate loan receivables	404,097	29,927
Variable-rate receivables	—	—
	404,097	29,927
Analysed as :		
Current	138,901	29,927
Non-current	265,196	—
	404,097	29,927

No impairment loss is recognised for the loan receivables as at 30 June 2017 and 31 December 2016.

As 30 June 2017, the effective interest rates on the fixed rates loan receivables are ranging from 8.28% to 10.41% per annum (31 December 2016: 9.01% per annum).

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Financial assets at fair value through profit or loss		
– Unlisted fund investment	92,176	89,434
– Unlisted convertible bond	118,402	128,027
– Unlisted warrant	577	153
– Put option on equity securities	82,834	26,669
	<u>293,989</u>	<u>244,283</u>

14. HELD FOR TRADING INVESTMENTS

Held for trading investments consisted solely of equity securities listed in Hong Kong. The fair values of these listed securities are determined based on the quoted market bid prices available on the Stock Exchange at the end of the Reporting Period.

15. TRADE AND OTHER RECEIVABLES

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

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Trade receivables	29,409	145,065
Deposits, prepayments and other receivables	113,173	14,111
	<u>142,582</u>	<u>159,176</u>
Retention receivables	57,431	76,675
Less: impairment loss on retention receivables	(3,000)	–
	<u>54,431</u>	<u>76,675</u>
Trade and other receivables	<u>197,013</u>	<u>235,851</u>

Trade receivables are normally due within 42 days from the date of billing. The following is an aged analysis of trade receivables, presented based on the invoice date (or date of revenue recognition, if earlier) at the end of the Reporting Period:

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Within 1 month	28,801	18,008
1 to 2 months	389	63,229
Over 3 months	219	63,828
	<u>29,409</u>	<u>145,065</u>

The movements in provision for impairment of retention receivables are as follows:

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
At beginning of period/year	–	–
Provision for impairment loss	3,000	–
	<u>3,000</u>	<u>–</u>
At end of period/year	<u>3,000</u>	<u>–</u>

As at 30 June 2017, retention receivables of approximately HK\$9,962,000 (31 December, 2016: HK\$33,744,000) was expected to be recovered in more than twelve months from the end of the Reporting Period but within its normal operating cycle.

16. TRADE AND OTHER PAYABLES

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

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Trade payables	51,246	137,826
Retention payables	29,337	29,299
Other payables and accruals	69,417	67,808
	<hr/>	<hr/>
Trade and other payables	150,000	234,933
	<hr/> <hr/>	<hr/> <hr/>

17. INTEREST-BEARING BORROWINGS

The interest-bearing borrowings are repayable after one year.

	<i>Notes</i>	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Current portion			
Secured bank borrowing		390,267	–
Unsecured bank borrowings	(a)	2,239,518	–
Unsecured bank borrowing guaranteed by the immediate holding company		172,827	–
Unsecured loan from a director		22,500	31,500
Unsecured loan from a related person		27,500	38,500
Unsecured loans from a related company		250,000	250,000
Unsecured loans from a fellow subsidiary		226,786	–
		<hr/>	<hr/>
Total current interest-bearing borrowings		3,329,398	320,000
		<hr/> <hr/>	<hr/> <hr/>
Non-current portion			
Unsecured loans from an independent third party		–	89,434
Unsecured loans from the intermediate holding company	(b)	2,341,599	2,326,524
Unsecured loans from a fellow subsidiary		92,174	–
		<hr/>	<hr/>
Total non-current interest-bearing borrowings		2,433,773	2,415,958
		<hr/> <hr/>	<hr/> <hr/>
Total interest-bearing borrowings		5,763,171	2,735,958
		<hr/> <hr/>	<hr/> <hr/>

Notes:

- (a) Included in the unsecured bank borrowings, the bank borrowings of amounting to HK\$1,000,000,000 and US\$128,000,000 (equivalent to approximately HK\$999,082,000) at 30 June 2017 are supported by the comfort letter issued by China Huarong, bearing interest rates ranging from 2.47% to 2.99% and repayable within one year from the end of the Reporting Period.
- (b) As at 30 June 2017, the Group had loans (the “**CHIH Loans**”) amounting to US\$300,000,000 (31 December 2016: US\$300,000,000) (approximately HK\$2,341,599,000) from its intermediate holding company, CHIH, for the expansion of the Group’s business. The CHIH Loans bear interest at fixed interest rates ranging from 3.87% to 5.81% per annum (31 December 2016 : from 3.87% to 5.81%) and are repayable in two to nine years from the end of the Reporting Period.

18. SHARE CAPITAL

	Number of shares '000	Total value HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31 December 2016 (audited) and 30 June 2017 (unaudited)	<u>20,000,000</u>	<u>200,000</u>
Issued and fully paid:		
At 31 December 2016 (audited)	1,236,000	12,360
Issue of new shares upon placing (<i>Note</i>)	<u>580,000</u>	<u>5,800</u>
At 30 June 2017 (unaudited)	<u>1,816,000</u>	<u>18,160</u>

Note: Pursuant to the Subscription, the Subscription Shares have been duly allotted and issued to Right Select, a wholly-owned subsidiary of CHIH, on 28 February 2017. Immediately after the completion of the Subscription, there are 1,816,000,000 shares of the Company in issue and the shareholding held indirectly by CHIH represented approximately 50.99% of the issued share capital of the Company as enlarged by the issuance of the Subscription Shares. All shares issued rank pari passu in all respects with all shares then in issue.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Started from September 2016, the Company adopted the strategy of diversified business operation, by adding direct investments and financial services and others as the two new business segments and continuing the construction services. The two new business segments contributed approximately HK\$62,930,000 and HK\$88,903,000 (six months ended 30 September 2016: HK\$200,000 and HK\$5,807,000) of revenue to the Group during the Reporting Period respectively, becoming the main driving force for the revenue growth of the Company.

On 6 January 2017, the Group entered into a subscription agreement with its substantial shareholder, Right Select, an indirect wholly-owned subsidiary of China Huarong, to allot and issue 580,000,000 ordinary shares of the Company in cash at the subscription price of HK\$0.40 per share to Right Select. The Subscription was completed on 28 February 2017. Immediately following the completion of the Subscription, the Group became a subsidiary of China Huarong, which indirectly held approximately 50.99% issued share capital of the Company.

As China Huarong has extensive experience and a renowned reputation in the area of financial business, becoming a subsidiary of China Huarong would allow the Group to leverage on the resources of China Huarong in order to expand its business segments of direct investments and financial services and others. Furthermore, the additional funds raised from the Subscription will further strengthen the financial position and capital base of the Group to facilitate its future growth and development.

During the Reporting Period, the Group recorded revenue of approximately HK\$337,102,000, representing an increase of approximately 7.4% as compared with approximately HK\$313,961,000 for the Corresponding Period, and profit of approximately HK\$63,109,000, representing an increase of approximately 201.8% as compared with approximately HK\$20,908,000 for the Corresponding Period, which was mainly attributable to the remarkable profit brought by the new business segments of direct investments and financial services and others.

During the Reporting Period, the Group recorded basic earnings per share of approximately HK3.87 cents, representing an increase of approximately 103.7% as compared with approximately HK1.90 cents for the Corresponding Period.

As of 30 June 2017, the total assets value of the Group amounted to approximately HK\$6,864,522,000, representing a 90.4% growth as compared with approximately HK\$3,605,842,000 as at 31 December 2016, as a result of the broadening of new financing channels and boosted development for the two new business segments for the Group during the Reporting Period.

With the support of China Huarong and combined with the Company's own experience and ample resources in Hong Kong and the PRC, the Group will continue to focus on the development of direct investments and financial services businesses, which are expected to become the main driving force for the growth of the Company.

Direct Investments

The Group has engaged in the direct investments since September 2016 which mainly invested in equities, bonds, funds, derivative instruments and other financial products. The Group has been proactively seeking investment opportunities in the market and investing into new projects with reasonable returns. The direct investments business has grown rapidly during the Reporting Period, and the segment assets of direct investments business as at 30 June 2017 has amounted to approximately HK\$2,084,095,000 (31 December 2016: HK\$1,726,585,000), representing an increase of approximately 20.70% compared with that as at 31 December 2016. During the Reporting Period, the segment profit amounted to approximately HK\$52,504,000 (six months ended 30 September 2016: HK\$9,514,000).

Financial Services and Others

The Group commenced financial services and other related services in September 2016, which mainly includes finance lease provision and services, business consulting services and other related services. The Group has set up a professional financial leasing company with proper licence in the PRC to provide leasing services to companies in various industries such as clean energy, logistics and manufacturing. As of 30 June 2017, the segment assets of financial services and others amounted to approximately HK\$804,831,000 (31 December 2016: HK\$62,441,000), representing an increase of approximately 1,188.95% compared with that as at 31 December 2016. During the Reporting Period, the segment profit amounted to approximately HK\$76,767,000 (six months ended 30 September 2016: HK\$4,728,000).

Significant Investments

As of 30 June 2017, the Group's investment portfolio mainly comprised the following financial assets:

Investment	Stock code	Carrying amount (HK\$'000)	Percentage of portfolio	Fair value change during the Reporting Period (HK\$'000)	Date of relevant announcement(s)
Interest in Edge Ventrue Partners L.P. (Limited Partnership)	N/A	604,905	19.1%	(11,716)	25 October 2016 1 December 2016
Notes issued by Brighten Path Limited	N/A	423,000	13.3%	–	26 June 2017
Notes issued by Qingdao Zhongrun Hotel Investment Co., Ltd.	N/A	230,436	7.3%	–	31 May 2017
Finance leasing arrangement with Jiangsu Huifeng Wood Co., Ltd.	N/A	230,436	7.3%	–	10 May 2017
Interest in Tianli Private Debt Fund L.P. (Limited Partnership)	N/A	219,531	6.9%	5,470	6 January 2017
Convertible bonds issued by Carnival Group International Holdings Limited	996.hk	118,402	3.7%	(9,624)	13 September 2016
Net investment in Cogobuy Group	400.hk	121,210	3.8%	(14,971)	18 November 2016

Investment	Stock code	Carrying amount (HK\$'000)	Percentage of portfolio	Fair value change during the Reporting Period (HK\$'000)	Date of relevant announcement(s)
Finance leasing arrangement with Lhasa Fengdian Photovoltaic Power Generation Co., Ltd.	N/A	172,827	5.5%	–	09 June 2017
Shares in Altonics Holding Limited	833.hk	103,284	3.3%	38,850	31 October 2016
Finance leasing arrangement with Zhangye Pingshan Lake Wind Power Co., Ltd	N/A	103,696	3.3%	–	04 January 2017
Notes issued by Master Glory Group Limited	275.hk	100,000	3.2%	–	24 November 2016
Notes and warrants issued by Zhuguang Holdings Group Company Limited	1176.hk	93,030	2.9%	423	23 September 2016
Interest in Shenzhen China Merchant Huarong Investment Consultancy (Limited Partnership)	N/A	92,176	2.9%	–	19 October 2016
Finance leasing arrangement with Shenzhen Yestock Automobile Service Co., Ltd.	N/A	66,033	2.1%	–	16 March 2017 09 June 2017
Interest in Leadingchina Creative Fund L.P. (Limited Partnership)	N/A	47,524	1.5%	(2,476)	05 January 2017
Others		<u>442,447</u>	<u>13.9%</u>		
		<u>3,168,937</u>	<u>100%</u>		

Further details of the above investments are disclosed in notes 9 to 14 to the condensed consolidated financial statements for the Reporting Period.

Foundation and Substructure Construction Services

Construction contract income is recognised based on the stage of completion. The stage of completion is determined with reference to the construction works certified by our customers. The portion of total construction contract amount that is certified to have been completed within a certain period is recognised as revenue from foundation and substructure construction services in the respective period.

The Group's gross profit from foundation and substructure construction services decreased from approximately HK\$40,015,000 for the six months ended 30 September 2016 to approximately HK\$29,810,000 for the Reporting Period, which represented a decrease of approximately 25.5%. The decrease in gross profit from foundation and substructure construction services was due to keen competition in the industry and decrease in the number of construction projects during the Reporting Period.

Debts and Charge on Assets

The total interest-bearing debts of the Group as at 30 June 2017 were approximately HK\$5,763,171,000 (31 December 2016: HK\$2,735,958,000). As at 30 June 2017, the Group's major interest-bearing debts include (a) borrowings from CHIH amounting to US\$300,000,000 (31 December 2016: US\$300,000,000) (equivalent to approximately HK\$2,341,599,000) bearing interest rates ranging from 3.87% to 5.81% per annum and are repayable in two to nine years from the end of the Reporting Period, and (b) unsecured bank borrowings amounting to HK\$1,000,000,000 (31 December 2016: Nil) and US\$128,000,000 (equivalent to approximately HK\$999,082,000) (31 December 2016: Nil), each of which is supported by a comfort letter issued by China Huarong, bearing interest rates ranging from 2.47% to 2.99% and are repayable within one year from the end of the Reporting Period. Further details are set out in note 17 to the condensed consolidated financial statements for the Reporting Period.

The finance leases are repayable within 4 years (31 December 2016: within 4 years). Finance leases facilities were secured by the Group's machinery and motor vehicles with an aggregated net book value of approximately HK\$19,789,000 and HK\$3,328,000 as at 30 June 2017 (31 December 2016: HK\$17,660,000 and HK\$4,010,000) respectively.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2017, the Group's bank balances and cash (including deposits in other financial institutions) are approximately HK\$3,371,412,000. During the Reporting Period, the Group financed its operations mainly with a loan from an indirect major shareholder, loans from banks, proceeds from placing of new shares and internal resources. The gearing ratio of the Group as at 30 June 2017 (defined as total interest-bearing liabilities divided by the Group's total equity) was approximately 6.7 (31 December 2016: 4.9).

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 management closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2017.

Subsequent Events

1. On 20 July 2017, the Group entered into certain agreements with 菏澤神州節能環保服務有限公司 (transliterated as Heze Shenzhou Environmental Services Co., Ltd.) (“**Heze Shenzhou**”), pursuant to which the Group agreed to purchase certain photovoltaic power station equipment, being the leased assets, from Heze Shenzhou at a consideration of RMB110 million (equivalent to approximately HK\$124.3 million), and following which, the Group has agreed to lease back the leased assets to Heze Shenzhou for a term of 6 years at an estimated total lease payment of approximately RMB138 million (equivalent to approximately HK\$155.9 million). The transactions constituted discloseable transactions for the Company. Details of the transactions are disclosed in the Company’s announcement dated 20 July 2017. The transactions were completed in July 2017.
2. On 1 August 2017, the Group entered into certain agreements with 安徽長風電纜集團有限公司 (transliterated as Anhui Changfeng Cable Group Co., Ltd.) (“**Anhui Changfeng**”), pursuant to which the Group agreed to purchase certain copper wire processing equipment and cable production line equipment, being the leased assets, from Anhui Changfeng at a consideration of RMB100 million (equivalent to approximately HK\$113 million), and following which, the Group has agreed to lease back the leased assets to Anhui Changfeng for a term of 5 years at an estimated total lease payment of approximately RMB121 million (equivalent to approximately HK\$137 million). The transactions constituted discloseable transactions for the Company. Details of the transactions are disclosed in the Company’s announcement dated 1 August 2017. The transactions were completed in August 2017.
3. On 2 August 2017, the Group entered into (a) a subscription agreement with HKBridge Special Situations Fund I SPV (“**HKBridge Fund SPV**”), pursuant to which the Group agreed to subscribe for and HKBridge Fund SPV agreed to issue the notes due 2020, which may be extended for further two one-year periods, in the principal amount of HK\$210 million and (b) a limited partnership agreement and a fund subscription agreement, pursuant to which the Group agreed to subscribe for the limited partnership interest with a capital commitment of HK\$1 to HKBridge Special Situations Fund, L.P. The transactions constituted discloseable transactions for the Company. Details of the transactions are disclosed in the Company’s announcement dated 2 August 2017. The transactions were completed in August 2017.
4. On 14 August 2017, the Group entered into a subscription agreement, pursuant to which the Group committed to invest US\$64 million (equivalent to approximately HK\$499.2 million) in Chelsea Manifest Fund. The transaction constituted discloseable transaction for the Company. Details of the transactions are disclosed in the Company’s announcement dated 14 August 2017. As at the date of this announcement, the Group has not yet fund the commitment.

Important Event

Increase in shareholding by Right Select, an indirect subsidiary of China Huarong

On 6 January 2017, the Group entered into a subscription agreement with its substantial shareholder, Right Select, where the Group has conditionally agreed to allot and issue, and Right Select has conditionally agreed to subscribe for 580,000,000 ordinary shares of the Company in cash at a subscription price of HK\$0.40 per share. The Subscription was completed on 28 February 2017. Immediately after the subscription and as at the date hereof, Right Select was interested in a total of 926,042,000 shares, representing approximately 50.99% of the entire issued share capital of the Company and became the controlling shareholder of the Company. The net proceeds of the Subscription are approximately HK\$230.81 million and the net price of each Subscription Share is approximately HK\$0.398. The actual use of proceeds from the Subscription has been used as intended, of which 20% of the net proceeds have been used as working capital of the Group and the remaining net proceeds have been used for financing projects of the Group involving direct investments, financial services and others. Please refer to the Company's announcements dated 12 January 2017, 6 February 2017 and 28 February 2017 for further information.

Principal Risks

Risk Management

The risk management structure of the Group is comprised of the Board and its risk management committee, the risk management and internal controls committee, the chief risk officer and other risk management related departments. A comprehensive organisational structure ensures highly effective operations for the Group, the management of the Company have timely and accurate monitoring of changes in the capital market and responding in an effective manner.

The Group prospectively carries out comprehensive risk management through establishing risk appetite policies, optimising and refining the key risks indicator framework, and strengthening risk monitoring mechanisms. The Group realises its development strategies by grasping and seizing development opportunities through effective identification, assessment and management of risks (including credit risks, market risks, liquidity risks, operational risks, reputational risks and moral risks, implementing standardised internal risk controls and formalised operations) and laying a solid foundation for the continued optimisation of risk management and internal control.

With changes in market conditions and the continued expansion of the Group's business developments, the comprehensive risk management and internal control of the Group are faced with new challenges, while its comprehensive risk management system is also being continuously innovated and improved. Strengthen management foundations and continuously enhancing the comprehensive, proactive and professional nature of its risk management are core concepts of the Group's risk management in adapting to market developments, which are also important measures to implementing the internal control mechanisms within the Group.

Market Risk

The Group is exposed to the market risk, which mainly includes foreign exchange risk and equity price risk. The Group has fully monitored the effectiveness of the market risk management system and adopted optimisation measures to continuously improve the flexibility and perspectiveness of market risk management, in response to the changes in market environment, business development and regulatory requirements.

The Group's operations are mainly denominated in U.S. dollar, Hong Kong dollar and Renminbi. As the U.S. dollar is linked to the Hong Kong dollar, the Group expects that there is no significant change in the exchange rate of U.S. dollar against Hong Kong dollar. During the Reporting Period, the Group does not commit to any financial instruments to hedge its exposure to foreign exchange risk. The Group will, as always, continue to monitor our exposure to foreign exchange fluctuations carefully and may introduce appropriate hedging measures should the need ever arise.

In respect of the equity price risk, the Group has adjusted the response to any changes in each of the risk monitoring indicators, further strengthened the monitoring and reviewing of various types of securities investment quotas and each transaction, and improved the monitoring and management of market risks.

Credit Risk

The Group's credit risk exposure mainly includes the credit status of the invested target groups, the breach or the bankruptcy of the debt issuers, and the default during the clearing and settlement process of a transaction, all referring to situation that we perform our payment obligations while the other party defaults.

The securities obtained by the Group are mainly in the form of personal guarantee, mortgage, pledge or charge. There is no significant concentration of credit risk. In order to minimise the credit risk, the Group has set credit limits and developed credit approval and other inspection procedures, and approved transaction amount strictly in accordance with the credit limit and approval authority.

PROSPECTS

2017 is a significant year for the transformation and development of the Company. In the first half of 2017, China Huarong further increased its shareholding to 50.99% and became the ultimate controlling shareholder of the Company. Fully leveraging the advantages of brand, financial resources, synergy and comprehensive financial services of China Huarong, the Group actively facilitated business transformation, vigorously developed its overseas and domestic direct investments, financial leasing and other financial service business based on its original construction business and achieved favorable results. At the same time, the Company strengthened its team of investment and financing professionals as well as its comprehensive risk management system in the first half of the year in order to meet its business transformation needs, thereby ensuring a healthy and stable development of the Company.

In the next phase, the Group will continue to adhere to the primary principle of “Improvement through Stability” and follow the development guidance of “Innovation plus Stability” to lay a solid foundation in Hong Kong, Macau and Taiwan and provide services to the Greater China. This coincides with the state’s “One Belt, One Road” strategy in developing its domestic and overseas resources in both domestic and overseas markets while simultaneously expanding the Group’s domestic and overseas businesses. By combining investment with financing and industries with financing, the Group strives to create a strong investment business portfolio, enhance the Group’s competence in diversified financial services and realise rapid and stable growth.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2017, the Group had 252 staff (30 September 2016: 266). The total staff costs incurred by the Group for the Reporting Period were approximately HK\$66,747,000 (30 September 2016: HK\$50,942,000).

The salary and benefit levels of the employees of the Group are competitive. The Group is now expanding its direct investments and financial services businesses. Competitive salary could attract professional talents to commit to the Group’s financial and investment business. Individual performance of our employees is rewarded through the Group’s salary and bonus system. 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 six months ended 30 June 2017 (for the six months ended 30 September 2016: Nil).

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

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board recognises the importance of maintaining a high standard of corporate governance to protect and enhance the benefits of shareholders and has applied the principles of the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 (the “**CG Code**”) of the Listing Rules. For the six months ended 30 June 2017, the Company has fully complied with the applicable code provisions of the CG Code, except for the code provision A.6.7.

Due to other business engagement, Mr. Wu Qinghua (“**Mr. Wu**”), a non-executive Director, and Mr. Chan Kee Huen Michael, an independent non-executive Director, did not attend the Company’s extraordinary general meeting held on 22 February 2017 while Mr. Kwan Wai Ming, an executive Director, and Mr. Wu did not attend the Company’s annual general meeting held on 25 May 2017 (the “**2017 AGM**”).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code contained for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors’ securities transactions. Having made specific enquiry of all the Directors, all the Directors confirmed that they have fully complied with the required standard of the Model Code throughout the six months ended 30 June 2017.

CHANGE OF AUDITORS

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

REVIEW OF THE INTERIM FINANCIAL STATEMENTS

The audit committee of the Company, comprising Mr. Chan Kee Huen Michael as chairman of audit committee as well as Mr. Tse Chi Wai and Mr. Zhang Xiaoman as members, has reviewed with management the accounting policies and practice adopted by the Group and has discussed auditing, internal controls, and financial reporting matters including review of the interim results announcement and the interim report of the Group for the six months ended 30 June 2017.

The Group’s external auditors have carried out a review of the condensed consolidated financial statements for the six months ended 30 June 2017 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.

PUBLICATION OF UNAUDITED INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.hriv.com.hk. The interim report of the Company for the six months ended 30 June 2017 containing all the information required by the Listing Rules will be despatched to the Company’s shareholders and available on the above websites in due course.

By order of the Board
Huarong Investment Stock Corporation Limited
Qin Ling
Chairman

Hong Kong, 15 August 2017

As at the date of this announcement, the executive Directors are Mr. Qin Ling, Mr. Yeung Chun Wai Anthony, Mr. Xu Xiaowu, Mr. Liu Xiguang, Mr. Kwan Wai Ming and Ms. Lin Changhua; the non-executive Director is Mr. Wu Qinghua; and the independent non-executive Directors are Mr. Chan Kee Huen Michael, Mr. Zhang Xiaoman, Mr. Tse Chi Wai and Mr. Wu Tak Lung.