



華融投資股份有限公司

HUARONG INVESTMENT STOCK CORPORATION LIMITED

(Incorporated in the Cayman Islands with limited liability)

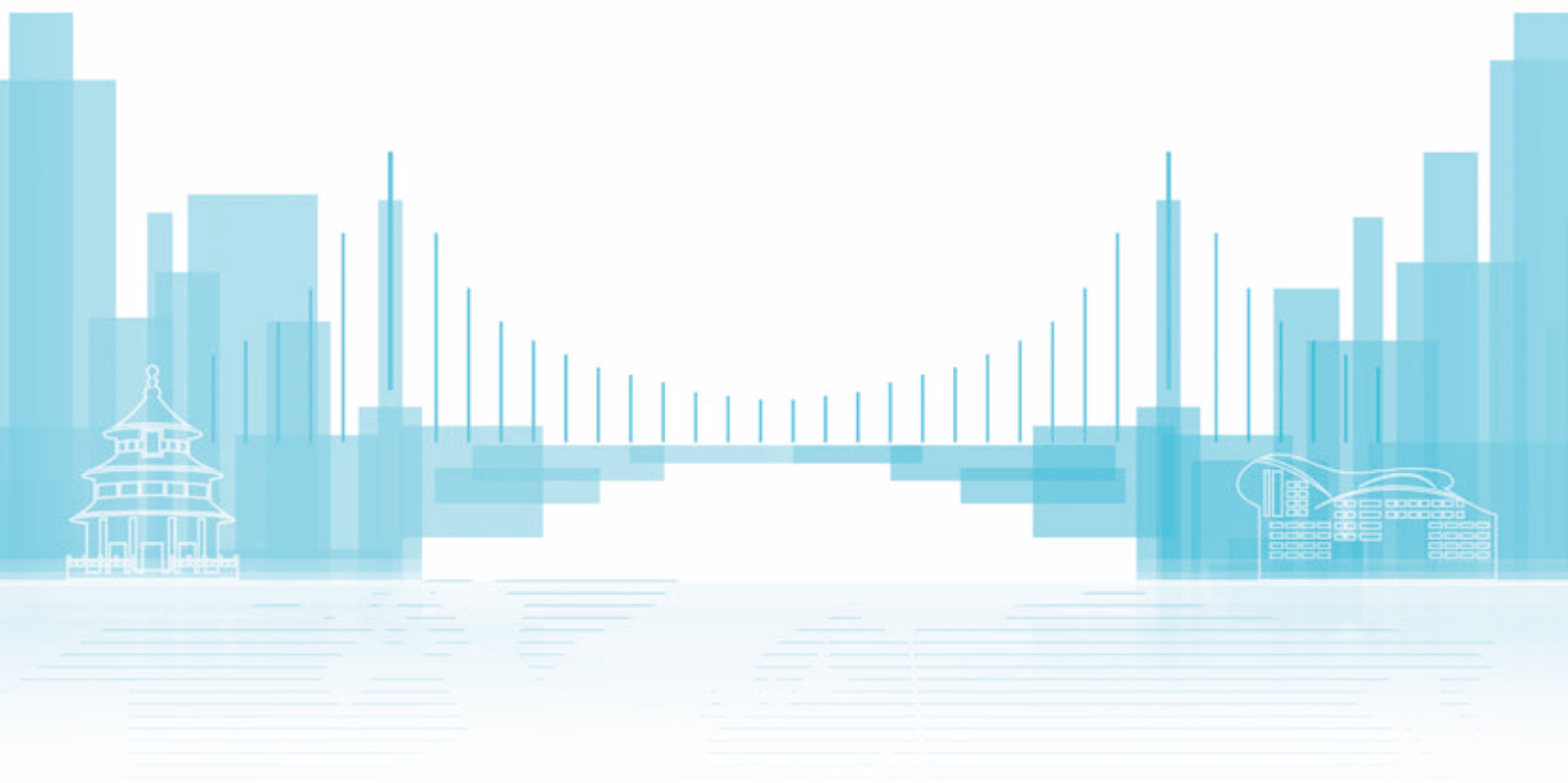
Stock Code: 2277

INTERIM REPORT 2017



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Corporate Information

Board of Directors

Executive Directors

Mr. Qin Ling (*Chairman*)
Mr. Yeung Chun Wai Anthony (*Vice Chairman*)
Mr. Xu Xiaowu (*Chief Executive Officer*)
Mr. Liu Xiguang
Mr. Kwan Wai Ming
Ms. Lin Changhua

Non-executive Director

Mr. Wu Qinghua

Independent Non-executive Directors

Mr. Chan Kee Huen Michael
Mr. Zhang Xiaoman
Mr. Tse Chi Wai
Mr. Wu Tak Lung

Company Secretary

Mr. Leung Chin Wan

Audit Committee

Mr. Chan Kee Huen Michael (*Chairman*)
Mr. Zhang Xiaoman
Mr. Tse Chi Wai

Remuneration Committee

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

Nomination Committee

Mr. Qin Ling (*Chairman*)
Mr. Yeung Chun Wai Anthony
Mr. Chan Kee Huen Michael
Mr. Tse Chi Wai
Mr. Wu Tak Lung

Risk Management Committee

Mr. Qin Ling (*Chairman*)
Mr. Xu Xiaowu
Mr. Liu Xiguang
Mr. Wu Qinghua
Mr. Wu Tak Lung

Registered Office

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

Head Office and Principal Place of Business

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

Legal Advisers as to Hong Kong Laws

Chiu & Partners
40/F., Jardine House
1 Connaught Place, Central
Hong Kong

Auditor

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

Principal Share Registrar and Transfer Office

Estera Trust (Cayman) Ltd.
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 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Banker

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

Stock Code

2277

Website

www.hriv.com.hk

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 six months ended 30 June 2017 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 Shares 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 six months ended 30 June 2017, 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 six months ended 30 September 2016, 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 six months ended 30 September 2016, which was mainly attributable to the remarkable profit brought by the new business segments of direct investments and financial services and others.

During the six months ended 30 June 2017, 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 six months ended 30 September 2016.

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 six months ended 30 June 2017.

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 six months ended 30 June 2017, 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 six months ended 30 June 2017, the segment profit amounted to approximately HK\$52,504,000 (six months ended 30 September 2016: HK\$9,514,000).

Management Discussion and Analysis

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 six months ended 30 June 2017, 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 six months ended 30 June 2017 (HK\$'000)	Date of relevant announcement(s)
Interest in Edge Venture 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
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		442,447	13.9%		
		3,168,937	100%		

Further details of the above investments are disclosed in notes 14 to 19 to the condensed consolidated financial statements for the six months ended 30 June 2017.

Management Discussion and Analysis

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 six months ended 30 June 2017, 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 six months ended 30 June 2017.

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 30 June 2017, 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 30 June 2017. Further details are set out in note 24 to the condensed consolidated financial statements for the six months ended 30 June 2017.

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 six months ended 30 June 2017, 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 six months ended 30 June 2017. 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.

Management Discussion and Analysis

Subsequent Events

1. On 20 July 2017, the Group entered into certain agreements with 荷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 report, the Group has not yet fund the commitment.

Management Discussion and Analysis

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 Shares 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. 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 comprised 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 accurately monitoring any 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 six months ended 30 June 2017, the Group does not commit to any financial instruments to hedge its exposure to foreign exchange risk. The Group will, as always, continue to carefully monitor our exposure to foreign exchange fluctuations and may introduce appropriate hedging measures should the need ever arise.

In respect of the equity price risk, the Group would adjust the response to any changes in each of the risk monitoring indicators, further strengthen the monitoring and reviewing of various types of securities investment quotas and every transactions, and improve the monitoring and management of market risks.

Management Discussion and Analysis

Credit Risk

The Group's credit risk exposure mainly includes the credit status of the invested target groups, the breach of contracts, 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. 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 six months ended 30 June 2017 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 the Shareholders for the six months ended 30 June 2017 (for the six months ended 30 September 2016: nil).

Other Information

Review of the Interim Financial Statements

The Audit Committee, comprising Mr. Chan Kee Huen Michael as chairman of Audit Committee as well as Mr. Tse Chi Wai and 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 Hong Kong Institute of Certified Public Accountants.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code 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.

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 CG Code. 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.

Directors' and Chief Executives' Interests in Securities

As at 30 June 2017, the interests of Directors and chief executives of the Company and their associates in the equity or debt securities of the Company or any associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange were as follows:

Other Information

Long position in Shares and underlying shares under equity derivatives of the Company:

Name of Director	Number of Shares		Aggregate interest	Approximate percentage of the issued share capital
	Interests held under personal name	Interests held by controlled corporation(s)		
Mr. Yeung Chun Wai Anthony ("Mr. Yeung")	–	200,080,000 (Note)	200,080,000	11.02%

Note: These 200,080,000 Shares are registered in the name of Finest Elite Holdings Limited ("Finest Elite"), which is wholly owned by Mr. Yeung.

Save as disclosed above, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporation as recorded in the register which were required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code. None of the Directors or their spouses or children under the age of 18, had been granted any right to subscribe for the equity or debt securities of the Company or any of its associated corporations, or had exercised any such right during the six months ended 30 June 2017.

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 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 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.

Other Information

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 report, the Share Option Scheme had a remaining life of approximately seven 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 2017. As at the date of this 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 issued Shares as at the date of this 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.

Substantial Shareholders' Interests

So far as the Directors or the chief executives of the Company are aware of, as at 30 June 2017, the Shareholders, other than the Directors or the chief executives of the Company, who had interests or short positions in the shares or the underlying shares of the Company which would fall to be disclosed to the Company in accordance with the provisions of Divisions 2 and 3 in Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Name of Shareholders	Capacity	Number of Shares	Approximately percentage of the issued share capital (%)
Right Select (<i>Note 1</i>)	Beneficial owner	926,042,000	50.99%
CHIH (<i>Note 1</i>)	Interest of controlled corporation	926,042,000	50.99%
China Huarong (<i>Note 1</i>)	Interest of controlled corporation	926,042,000	50.99%
Finest Elite (<i>Note 2</i>)	Beneficial owner	200,080,000	11.02%
Ms. Lui Lai Yan (<i>Note 2</i>)	Interest of spouse	200,080,000	11.02%

Notes:

- (1) The 926,042,000 Shares are registered in the name of Right Select. Right Select is wholly owned by CHIH. CHIH is owned as to 88.10% by Huarong Real Estate Co., Ltd. (華融置業有限公司) (which in turn is wholly owned by China Huarong) and as to 11.90% by Huarong Zhiyuan Investment & Management Co., Ltd. (which in turn is wholly owned by China Huarong). China Huarong is a joint stock limited liability company incorporated in the PRC, the H Shares of which are listed on the Main Board of the Stock Exchange.
- (2) The 200,080,000 Shares are registered in the name of Finest Elite which is wholly owned by Mr. Yeung. Ms. Lui Lai Yan is the spouse of Mr. Yeung and has a deemed effective interest of about 11.02% of the Shares.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Other Information

Change of Directors' Information

On 13 March 2017, Mr. Yeung Chun Wai Anthony has ceased to be the chairman of the Nomination Committee and Mr. Qin Ling has been appointed as a member and chairman of the Nomination Committee and Mr. Wu Tak Lung has been appointed as a member of the Nomination Committee.

On 13 April 2017, Mr. Tian Ren Can resigned as an executive Director and Mr. Kwan Wai Ming ceased to be a member of the Remuneration Committee and Mr. Xu Xiaowu be appointed as a member of the Remuneration Committee. At the same date, the Company has established the Risk Management Committee and appointed Mr. Qin Ling as the member and the chairman of the Risk Management Committee and Mr. Xu Xiaowu and Mr. Wu Tak Lung as the member of the Risk Management Committee.

On 26 May 2017, Mr Liu Xiguang has been appointed as an executive Director. At the same date, Mr. Liu Xiguang and Mr. Wu Qinghua has been appointed as members of the Risk Management Committee.

Please refer to the Company's announcements dated 13 March 2017, 13 April 2017 and 25 May 2017 for further details.

Change of Company Secretary and Authorised Representative

On 13 April 2017, Mr. Kwan Wai Ming has ceased to act and Mr. Xu Xiaowu has been appointed to be one of the authorised representatives of the Company under Rule 3.05 of the Listing Rules.

Following the resignation of Ms. Wong May as the Company Secretary and the Authorised Representative on 30 July 2017, Mr. Leung Chin Wan, the co-head of the Company's finance department, has been appointed as the Company Secretary and the Authorised Representative on the same date.

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 annual general meeting for 2016 of the Company held on 25 May 2017 and did not stand for re-appointment. The Board had resolved to appoint Deloitte as the auditors of the Company for the year 2017 in order to align that with China Huarong to ensure efficient and consistent auditing processes among China Huarong, the Company and each of the subsidiaries. The appointment of auditors has been approved at the 2017 annual general meeting for 2016.

Disclosure Under Rule 13.21

On 22 June 2017, the Company entered into an uncommitted revolving short term loan facility agreement with a bank of up to an aggregate amount of HK\$2,000,000,000 (or its equivalent amount in US Dollar) which is unsecured and be at all times available at the sole and absolute discretion of the bank. On 29 June 2017, the Company entered into a revolving loan facility agreement with a bank of up to an aggregate amount of US\$100,000,000 which be available for 18 months from 29 June 2017 and the maximum term of each drawing is 12 months. For each of the abovementioned agreements, China Huarong has issued a letter of comfort to the relevant bank to undertake that as long as each of the abovementioned agreements remains outstanding, China Huarong shall remain as the controlling shareholder of the Company. As at the date of this report, China Huarong beneficially owns approximately 50.99% of the issued share capital of the Company. Please refer to the Company's announcements dated 22 June 2017 and 30 June 2017 for further details.

Report on Review of Condensed Consolidated Financial Statements

**To the Board of Directors of
Huarong Investment Stock Corporation Limited**
華融投資股份有限公司
(incorporated in Cayman Islands with limited liability)

We have reviewed the condensed consolidated financial statements of Huarong Investment Stock Corporation Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 14 to 40, which comprise the condensed consolidated statement of financial position as at 30 June 2017, and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Other Matter

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 September 2016 and the relevant explanatory notes disclosed in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” The comparative figures in the condensed consolidated statement of financial position and the relevant explanatory notes were prepared based on the consolidated financial statements of the Group for the year ended 31 December 2016, which were audited by another auditor who expressed an unmodified opinion on those statements on 13 March 2017.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

15 August 2017

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

	<i>Notes</i>	Six months ended 30 June 2017 HK\$'000 (Unaudited)	30 September 2016 HK\$'000 (Unaudited) (Represented) (Note 2)
Revenue			
Income from construction services	4	185,269	307,954
Dividend, interest and service income	4	151,833	6,007
		337,102	313,961
Net change in unrealised gain on financial assets at fair value through profit or loss	5	15,610	11,973
Net realised gain on disposal of investments	5	66,913	946
Other gain or losses	6	(20,442)	544
Other income	7	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	8	(66,216)	(16,225)
Profit before tax	9	96,228	25,975
Income tax expense	10	(33,119)	(5,067)
Profit for the period		63,109	20,908
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		6,107	–
Profit and total comprehensive income for the period attributable to owners of the Company		69,216	20,908
Earnings per share (<i>HK cents</i>)			
– Basic	12	3.87	1.90

Condensed Consolidated Statement of Financial Position

At 30 June 2017

	<i>Notes</i>	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Plant and equipment	13	82,215	86,044
Intangible asset		1,840	1,840
Financial assets classified as receivables	14	192,453	193,580
Available-for-sale investments	15	1,423,940	925,033
Finance lease receivables	16	482,144	46,298
Loan receivables	17	265,196	–
Rental deposits		28,706	–
Deposit paid for acquisition of plant and equipment		–	2,220
Total non-current assets		2,476,494	1,255,015
CURRENT ASSETS			
Finance lease receivables	16	146,153	9,598
Loan receivables	17	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	18	293,989	244,283
Held for trading investments	19	226,161	201,940
Amounts due from customers for contract work	20	14,399	43,840
Trade and other receivables	21	197,013	235,851
Amounts due from related parties		–	1,194
Bank balances and cash		3,327,865	1,452,372
Total current assets		4,388,028	2,350,827
CURRENT LIABILITIES			
Amounts due to customers for contract work	20	2,752	15,002
Trade and other payables	22	150,000	234,933
Amounts due to related parties		9,787	16,609
Tax payables		34,000	21,557
Obligations under finance leases	23	7,846	7,633
Interest-bearing borrowings	24	3,329,398	320,000
Total current liabilities		3,533,783	615,734

Condensed Consolidated Statement of Financial Position

At 30 June 2017

	<i>Notes</i>	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
NET CURRENT ASSETS		854,245	1,735,093
TOTAL ASSETS LESS CURRENT LIABILITIES		3,330,739	2,990,108
NON-CURRENT LIABILITIES			
Obligations under finance leases	23	5,472	5,362
Interest-bearing borrowings	24	2,433,773	2,415,958
Deposits from finance lease investments		21,490	–
Deferred tax liabilities		6,748	6,748
Total non-current liabilities		2,467,483	2,428,068
NET ASSETS		863,256	562,040
CAPITAL AND RESERVES			
Share capital	25	18,160	12,360
Reserves		845,096	549,680
TOTAL EQUITY		863,256	562,040

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Attributable to owners of the Company								
	Share capital HK\$'000	Share premium HK\$'000 (Note a)	Capital reserve HK\$'000 (Note b)	Merger reserve HK\$'000 (Note c)	Statutory reserve HK\$'000 (Note d)	Available-for-sale investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2016 (unaudited)	10,300	150,524	7,164	(87,838)	-	-	-	145,974	226,124
Profit for the period	-	-	-	-	-	-	-	20,908	20,908
Total comprehensive income for the period	-	-	-	-	-	-	-	20,908	20,908
Issue of shares	2,060	183,340	-	-	-	-	-	-	185,400
Expense incurred in connection with the issue of new shares	-	(2,004)	-	-	-	-	-	-	(2,004)
At 30 September 2016 (unaudited)	12,360	331,860	7,164	(87,838)	-	-	-	166,882	430,428
At 1 January 2017 (audited)	12,360	331,860	7,164	(87,838)	3,819	(536)	(2,761)	297,972	562,040
Profit for the period	-	-	-	-	-	-	-	63,109	63,109
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-
Change in fair value of available-for-sale investments	-	-	-	-	-	53,141	-	-	53,141
Reclassification adjustments to profit or loss on disposal	-	-	-	-	-	(61,221)	-	-	(61,221)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	14,187	-	14,187
Other comprehensive income for the period	-	-	-	-	-	(8,080)	14,187	-	6,107
Total comprehensive income for the period	-	-	-	-	-	(8,080)	14,187	63,109	69,216
Issue of shares (note 25)	5,800	226,200	-	-	-	-	-	-	232,000
At 30 June 2017 (unaudited)	18,160	558,060	7,164	(87,838)	3,819	(8,616)	11,426	361,081	863,256

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 they fall due in the ordinary course of business.
- The capital reserve represents the deemed capital contribution from its former shareholder, Golden Roc Holdings Limited ("Golden Roc"), in relation to listing expenses reimbursed to the Company in prior year.
- The merger reserve represents the difference between the total equity of those subsidiaries (which were transferred from Golden Roc to the Company) and the aggregated share capital of the relevant subsidiaries pursuant to the group reorganisation where the transfer of the relevant subsidiaries to the Company are satisfied by issue of new shares from the Company to Golden Roc in prior year.
- Subsidiaries in the People's Republic of China ("PRC") have appropriated 10% of the profit to statutory reserve until the balance of reserve reaches 50% of their respective registered capital. The statutory reserve is required to be retained in the accounts of the subsidiaries to offset against accumulated losses of the respective PRC subsidiaries.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Six months ended	
	30 June 2017 HK\$'000 (Unaudited)	30 September 2016 HK\$'000 (Unaudited)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(866,851)	(312,516)
INVESTING ACTIVITIES		
Bank interest received	1,570	1,282
Purchase of plant and equipment	(19,897)	(7,533)
Acquisition of a subsidiary accounted for an asset acquisition	–	(1,840)
Proceeds from disposal of items of plant and equipment	12,570	865
Purchase of available-for-sale investments	(813,206)	–
Proceed from disposal of available-for-sale investments	373,485	–
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(445,478)	(7,226)
FINANCING ACTIVITIES		
Proceeds from issue of new shares	232,000	185,400
Expenses incurred in connection with issue of new shares	–	(2,004)
New bank borrowings raised	2,832,612	30,000
New other interest-bearing borrowings raised	318,960	2,676,841
Repayments of bank borrowings	(30,000)	(30,000)
Repayment of other interest-bearing borrowings	(109,434)	–
Principle paid on obligation on finance lease	(4,029)	(5,289)
Interest paid on obligation on finance lease	(204)	(320)
Interest paid	(56,440)	(15,905)
NET CASH FLOWS FROM FINANCING ACTIVITIES	3,183,465	2,838,723
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,871,136	2,518,981
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1,452,372	142,208
EFFECT OF FOREIGN EXCHANGE RATE CHANGE, NET	4,357	–
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	3,327,865	2,661,189

Note:

During the six months ended 30 June 2016, additions to plant and equipment of approximately HK\$4,352,000 was financed by finance lease arrangements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

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 Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at PO Box 1350, Clifton House, 75 Fort Street, 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 the 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 immediate 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 China (“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 “Reporting Period”). 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

2. Basis of Preparation (continued)

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 HK\$'000 (as previously presented)	Changes in presentation HK\$'000	30 September 2016 HK\$'000 (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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

2. Basis of Preparation (continued)

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.

Except as disclosed above, 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

3. Operating Segment Information (continued)

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	62,930	88,903	185,269	337,102
Segment results	52,504	76,767	(4,741)	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				(19,136)
Profit before tax				96,228

Six months ended 30 September 2016 (unaudited and represented)

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

3. Operating Segment Information (continued)

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

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (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	6,864,522	3,605,842
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	6,001,266	3,043,802

Included in unallocated segment assets and liabilities, certain bank balance and cash, plant and equipment, tax payable and interest-bearing borrowings were managed in a centralised manner for the purpose of monitoring segment performance and allocating resource between segments.

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
	151,833	6,007
Total	337,102	313,961

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

5. Net Change in Unrealised Gain on Financial Assets at Fair Value Through Profit or Loss and Net Realised Gain on Disposal of Investments

	Six months ended	
	30 June 2017 HK\$'000 (Unaudited)	30 September 2016 HK\$'000 (Unaudited) (Represented)
Net change in unrealised gain on financial assets at fair value through profit or loss		
Unrealised (loss) gain on held for trading investments	(31,354)	10,778
Unrealised gain on financial assets at fair value through profit and loss	46,964	1,195
	15,610	11,973
Net realised gain on disposal of investments		
Realised gain on held for trading investments	5,692	946
Realised gain on available-for-sale investments	61,221	–
	66,913	946

6. 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)	–
Other (losses)/gain	(20,442)	544

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

7. Other Income

An analysis of other income is as follows:

	Six months ended	
	30 June 2017 HK\$'000 (Unaudited)	30 September 2016 HK\$'000 (Unaudited) (Represented)
Bank interest income	1,570	1,282
Others	6,221	159
	7,791	1,441

8. Finance Costs

An analysis of finance costs is as follows:

	Six months ended	
	30 June 2017 HK\$'000 (Unaudited)	30 September 2016 HK\$'000 (Unaudited) (Represented)
Interest-bearing borrowings	66,012	15,905
Obligations under finance leases	204	320
	66,216	16,225

9. Profit Before Tax

Profit for the period has been arrived at after charging:

	Six months ended	
	30 June 2017 HK\$'000 (Unaudited)	30 September 2016 HK\$'000 (Unaudited)
Depreciation in respect of plant and equipment		
– assets held under finance leases	3,472	3,938
– owned assets	14,853	14,576
	18,325	18,514

Note:

The cost of construction services for the six months ended 30 June 2017 is approximately HK\$155,459,000 (30 September 2016: 267,939,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

10. 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	17,496	–
	33,119	4,957
Deferred tax	–	110
	33,119	5,067

11. 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).

12. Earnings Per Share

The calculation of basic earnings per share attributable to the owners of the Company is 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	63,109	20,908

	Six months ended	
	30 June 2017 '000 (Unaudited)	30 September 2016 '000 (Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,630,144	1,097,726

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

13. Plant and Equipment

During the six months ended 30 June 2017, the Group acquired approximately HK\$26,469,000 (six months ended 30 September 2016: HK\$7,533,000) of plant and equipment.

Plant and equipment with a net carrying amount of approximately HK\$12,075,000 (six months ended 30 September 2016: HK\$321,000) were disposed of by the Group during the six months ended 30 June 2017, resulting in a net gain on disposal of approximately HK\$495,000 (six months ended 30 September 2016: HK\$544,000).

14. Financial Assets Classified As Receivables

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

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

On 23 September 2016, the Group purchased unlisted debt instruments, with principal amount of US\$12,000,000 (approximately HK\$92,453,000) (31 December 2016: approximately HK\$93,580,000) which were issued by an independent party, a listed company in Hong Kong, and bears fixed interest rates of 11% per annum payable quarterly, and mature on 23 September 2019.

On 23 September 2016, as part of the transaction of the purchase of the debt instruments, the issuer of the debt instruments has proposed to issue unlisted warrants to the Group at nil consideration, subject to the approval from the shareholders of the issuer. The warrants will entitle the Group to subscribe for 7,778,824 shares in an issuer of the debt instruments in Hong Kong at a pre-determined price in a specific period. The unlisted warrants was subsequently issued to the Group on 14 October 2016.

On 24 November 2016, the Group and the placing agent, which was an independent party, entered into a placing letter, pursuant to which the placing agent agreed to place and the Group agreed to subscribe 9.5% notes with maturity of 3 years subject to the terms and conditions of the placing agreement. The Group has subscribed notes in the principal amount of HK\$100,000,000.

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.

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For the six months ended 30 June 2017

15. Available-for-Sale Investments

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

The unlisted fund investments represent investments in private equity funds incorporated in the Cayman Islands and British Virgin Islands. The unlisted fund investments are held for an identified long term strategic purpose. They are measured at fair values at the end of the Reporting Period.

The unlisted bond investment represents the subscription of bonds in the principal amount of HK\$423,000,000 for a term of one year extendable to a maximum term of three years with an interest rate of 8% per annum, payable quarterly in arrears. The unlisted bond investment is held for an identified long term strategic purpose.

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).

16. Finance Lease Receivables

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

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (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 rate of the above finance leases is ranging from 5.90% to 7.71% per annum (31 December 2016: 5.75% per annum).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

17. Loan Receivables

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

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Fixed-rate loan receivables	404,097	29,927
Variable-rate loan 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 rate on the fixed rate loan receivables is ranging from 8.28% to 10.41% per annum (31 December 2016: 9.01% per annum).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

18. 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 (<i>Note (i)</i>)	92,176	89,434
– Unlisted convertible bond (<i>Note (ii)</i>)	118,402	128,027
– Unlisted warrant (<i>Note (iii)</i>)	577	153
– Put option on equity securities (<i>Note (iv)</i>)	82,834	26,669
	293,989	244,283

Notes:

- (i) The unlisted fund investment represents investment in a private equity fund established in the PRC. The unlisted fund investment is designated as financial assets at FVTPL at initial recognition and measured at fair value at the end of the Reporting Period.
- (ii) On 14 September 2016, the Group acquired unlisted convertible bond, with principal amount of US\$15,000,000 (approximately HK\$116,325,000) which was issued by an independent party, a listed company in Hong Kong, and bears fixed interest rate of 8% per annum payable semi-annually, and matures on 16 July 2018, with conversion price of HK\$1.26 per share of the aforesaid listed company in Hong Kong. The convertible bond is freely transferrable and can be converted at any time. The fair value of the convertible bond amounted to approximately HK\$118,402,000 as at 30 June 2017 (31 December 2016: HK\$128,027,000), which was determined by Grant Sherman Appraisals Limited (“Grant Sherman”), an independent valuer not connected to the Group by using binomial option pricing model.
- (iii) As disclosed in note 14, the fair value of the unlisted warrant amounted to approximately HK\$577,000 as at 30 June 2017 (31 December 2016: HK\$153,000), which was determined by Grant Sherman by using binomial option pricing model. The warrant is freely transferrable and can be exercised at any time.
- (iv) On 18 November 2016, the Group, via its indirect wholly-owned subsidiary namely Coastal Star Investments Limited (“Coastal Star”), acquired 9,360,000 shares in a company listed in Hong Kong at unit share price of HK\$12.50 (the “Placing Price”) with an aggregate consideration of HK\$117,000,000. On the same date, the controlling shareholder of the listed company (the “Controlling Shareholder”) entered into a compensation agreement (the “Compensation Agreement”) with Coastal Star, pursuant to which, the Controlling Shareholder agreed to compensate Coastal Star the difference of HK\$12.88 with the closing market value of the listed company’s share held by Coastal Star in cash if on 23 September 2019, the closing market value per listed company’s shares falls below HK\$12.88. If the unit closing price of the shares for any 30 consecutive trading days is more than 180% of the placing price, the option will be lapsed automatically. The fair value of the put option on equity securities amounted to approximately HK\$82,834,000 as at 30 June 2017 (31 December 2016: HK\$26,669,000), which was determined by Grant Sherman by using binomial option pricing model.

19. 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.

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For the six months ended 30 June 2017

20. Amounts Due from (to) Customers for Contract Work

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Contracts in progress at the end of the Reporting Period		
Contract costs incurred plus recognised profits less recognised losses	2,256,978	2,067,704
Less: progress billings	(2,245,331)	(2,038,866)
	11,647	28,838
Analysed for reporting purposes as:		
Amounts due from customers for contract work	14,399	43,840
Amounts due to customers for contract work	(2,752)	(15,002)
	11,647	28,838

21. 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 (<i>Note (i)</i>)	29,409	145,065
Deposits, prepayments and other receivables	113,173	14,111
	142,582	159,176
Retention receivables (<i>Note (ii)</i>)	57,431	76,675
Less: impairment loss on retention receivables	(3,000)	–
	54,431	76,675
Trade and other receivables	197,013	235,851

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

21. Trade and Other Receivables (continued)

Notes:

- (i) 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
	29,409	145,065

- (ii) 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, net	3,000	–
At end of period/year	3,000	–

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.

22. 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
Trade and other payables	150,000	234,933

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

23. Obligations Under Finance Leases

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Analysed for reporting purposes as:		
Current liabilities	7,846	7,633
Non-current liabilities	5,472	5,362
	13,318	12,995

It is the Group's policy to lease certain of its machinery and motor vehicles under finance leases. As at 30 June 2017, the lease term ranges from 3 to 4 years (31 December 2016: 3 to 4 years). As at 30 June 2017, interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 2.6% to 4.8% per annum (31 December 2016: 1.45% to 4.8% per annum).

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Analysed for reporting purposes as:				
Within one year	8,157	7,973	7,846	7,633
After one year but within two years	3,335	5,259	3,239	5,163
After two years but within five years	2,294	200	2,233	199
	13,786	13,432	13,318	12,995
Less: future finance charges	(468)	(437)	N/A	N/A
Present value of lease obligations	13,318	12,995	13,318	12,995
Less: amount due for settlement within twelve months (shown under current liabilities)			(7,846)	(7,633)
Amount due for settlement after twelve months			5,472	5,362

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets. As at 30 June 2017, obligations under finance leases of HK\$4,877,000 (31 December 2016: HK\$6,927,000) were guaranteed by the Company.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

24. Interest-Bearing Borrowings

The interest-bearing borrowings are repayable after one year.

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

Notes:

- a. The bank borrowing of US\$50,000,000 (equivalent to approximately HK\$390,267,000) is secured by the debt instruments held by the Company.
- b. 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.
- c. The bank borrowing of RMB150,000,000 (equivalent to approximately HK\$172,827,000) is guaranteed by Right Select.
- d. As at 30 June 2017, the Group had loan amounting to HK\$22,500,000 (31 December 2016: HK\$31,500,000) from a director, for the expansion of the Group's business. The stated loan bears interest at fixed interest rates 3% per annum (31 December 2016: 3% per annum) and is repayable in one year (31 December 2016: one year) from the end of the Reporting Period.
- e. As at 30 June 2017, the Group had loan amounting to HK\$27,500,000 (31 December 2016: HK\$38,500,000) from a director of a subsidiary of the Company, Mr. Leung Kam Chuen ("Mr. Leung"), for the expansion of the Group's business. The stated loan bears interest at fixed interest rates 3% per annum (31 December 2016: 3% per annum) and is repayable in one year (31 December 2016: one year) from the end of the Reporting Period.
- f. As at 30 June 2017, the Group had loan from a related company, Acute Peak Investments Limited ("Acute Peak"), which is 50% owned by Mr. Leung, a director of a subsidiary of the Company and 50% owned by Mr. Kwan Wai Ming ("Mr. Kwan"), the Executive Director of the Company, respectively amounting to HK\$250,000,000 (31 December 2016: HK\$250,000,000) for the expansion of the Group's business. The loan interest at fixed rate 3% per annum and is repayable on demand.
- g. The unsecured loans of RMB200,000,000 and RMB80,000,000 (equivalent to approximately HK\$226,786,000 and HK\$92,174,000) are borrowed from the fellow subsidiary of the Company. The loan bear interest at fixed interest rate ranging from 6.10% to 6.30% per annum and are repayable ranging from three years to five years from the end of the Reporting Period.
- h. 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% per annum) and are repayable in two to nine years from the end of the Reporting Period.

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25. 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)	20,000,000	200,000
Issued and fully paid:		
At 31 December 2016 (audited)	1,236,000	12,360
Issue of new shares upon placing (<i>Note</i>)	580,000	5,800
At 30 June 2017 (unaudited)	1,816,000	18,160

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 issue of the Subscription Shares.

All shares issued rank pari passu in all respects with all shares then in issue.

26. Related Party Transactions

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

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

Name of party	Relationships
Mr. Leung	Director of a subsidiary of the Company
Mr. Kwan	Executive Director of the Company
Mr. Qin Ling	Chairman of the Board of Director of the Company since 27 July 2016
Ms. Lin Changhua	Executive Director of the Company
Fortune Famous Engineering (Transportation) Company Limited	50% and 50% owned by Mr. Leung and Mr. Kwan respectively
Hongkong Gold Gate Enterprise Limited	50% and 50% owned by Mr. Leung and Mr. Kwan respectively
Group Team Limited	50% and 50% owned by Mr. Leung and Mr. Kwan respectively
Acute Peak	50% and 50% owned by Mr. Leung and Mr. Kwan respectively
CHIH	Intermediate holding company
Right Select	Immediate holding company

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26. Related Party Transactions (continued)

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

		Six months ended	
		30 June 2017	30 September 2016
		HK\$'000	HK\$'000
	<i>Notes</i>	(Unaudited)	(Unaudited)
Management fee income received from			
– Right Select	<i>(i)</i>	–	933
Expense paid on behalf of			
– Mr. Qin Ling	<i>(i)</i>	176	96
– Ms. Lin Changhua	<i>(i)</i>	80	4
Recharge of office rent, rates and management fee by			
– Group Team Limited	<i>(i)</i>	(1,441)	(2,464)
Operating lease payments of motor Vehicles to			
– Fortune Famous	<i>(i)</i>	(270)	(405)
– HKGG	<i>(i)</i>	(234)	(351)
Interest expense paid/payable to:			
– CHIH	<i>(i)</i>	(56,131)	(39,441)
– Mr. Leung	<i>(i)</i>	(480)	(1,041)
– Mr. Kwan	<i>(ii)</i>	(392)	(879)
– Acute Peak	<i>(i)</i>	(3,719)	(5,384)

Notes:

- (i) The related party transactions in respect of (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) The related party transactions in respect of (ii) above constitute connected transactions and the disclosures required by Chapter 14A of the Listing Rules, details of which are provided in the "Report of the Directors" section of the 2016 annual report of the Company.

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27. Fair Value and Fair Value Hierarchy of Investments

Fair value of the Group's investments that are measured at fair value on a recurring basis

Some of the Group's investments are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these investments 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).

An analysis of the Group's investments measured at fair value as at 30 June 2017 and 31 December 2016 are as follows:

	Fair value as at 30 June 2017 HK\$'000	Fair value as at 31 December 2016 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
1) Held for trading investments – listed equity securities	226,161	201,940	Level 1	Note (a)	N/A	N/A
2) Financial assets at fair value through profit or loss – unlisted fund investments	92,176	89,434	Level 2	Note (b)	N/A	N/A
3) Available-for-sale investments – unlisted bond investment	423,000	nil	Level 2	Note (c)	N/A	N/A
4) Available-for-sale investments – unlisted fund investments	1,000,940	925,033	Level 3	Note (d)	Net asset value	5% increase/decrease in net asset value: HK\$50,000/(HK\$50,000) (31 December 2016: HK\$46,000/(HK\$46,000))

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For the six months ended 30 June 2017

27. Fair Value and Fair Value Hierarchy of Investments (continued)

	Fair value as at 30 June 2017 HK\$'000	Fair value as at 31 December 2016 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
5) Financial assets at fair value through profit or loss – unlisted convertible bond	118,402	128,027	Level 3	Note (e)	Volatility: 25.10% (31 December 2016: 40.74%) Discount rate: 19.48% (31 December 2016: 18.72%)	5% increase/decrease in volatility: HK\$49,000/(HK\$37,000) (31 December 2016: HK\$770,000/(HK\$1,396,000)) 5% increase/decrease in discount rate: (HK\$942,000)/HK\$957,000 (31 December 2016: (HK\$895,000)/HK\$931,000)
6) Financial assets at fair value through profit or loss – put option	82,834	26,669	Level 3	Note (e)	Volatility: 56.25% (31 December 2016: 32.06%)	5% increase/decrease in volatility: HK\$302,000/(HK\$261,000) (31 December 2016: HK\$1,052,000/ (HK\$1,079,000))
7) Financial assets at fair value through profit or loss – unlisted warrant investment	577	153	Level 3	Note (e)	Volatility: 38.85% (31 December 2016: 34.89%)	5% increase/decrease in volatility: HK\$76,000/(HK\$75,000) (31 December 2016: HK\$34,000/(HK\$31,000))

Notes:

- (a) Quoted bid price in an active market.
- (b) Net asset value of the funds calculated based on the quoted price of underlying investment.
- (c) Discounted cash flow.
- (d) Net asset value of the funds calculated based on the fair value of underlying investment.
- (e) Binomial option pricing model. The key inputs are exercise price of the options, current share price of the underlying assets of the options, expected volatility, time to maturity, dividend yield and discount rate.

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For the six months ended 30 June 2017

27. Fair Value and Fair Value Hierarchy of Investments (continued)

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

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

The reconciliation of the Group's Level 3 fair value measurement of financial assets at fair value through profit or loss investments and available-for-sale investments are as follows:

	Unlisted convertible bond HK\$'000	Unlisted warrant HK\$'000	Put option on equity securities HK\$'000
Financial assets at fair value through profit or loss:			
At 31 December 2016	128,027	153	26,669
Purchased during the period	–	–	–
Fair value gain recognised on financial asset at fair value through profit or loss	(9,625)	424	56,165
At 30 June 2017	118,402	577	82,834

	Unlisted investment funds HK\$'000	Unlisted bond investment HK\$'000
Available-for-sale investments:		
At 31 December 2016	925,033	–
Purchased during the period	390,206	423,000
Disposed during the period	(312,264)	–
Change in fair value	53,141	–
Reclassification adjustments to profit or loss on disposal	(61,221)	–
Exchange difference	6,045	–
At 30 June 2017	1,000,940	423,000

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28. Subsequent Events

On 20 July 2017, the Group entered into agreements with Heze Shenzhou Environmental Services Co., Ltd. (“Heze”), pursuant to which the Group agreed to purchase certain photovoltaic power station equipment, being the leased assets, from Heze at a consideration of RMB110,000,000 (equivalent to approximately HK\$124,300,000), and following which, the Group has agreed to lease back the leased assets to the Heze for a term of 6 years at an estimated total lease payment of approximately RMB138,000,000 (equivalent to approximately HK\$155,000,000). The transactions constitute disclosable transactions of the Company. Details of the transactions are disclosed in the Company announcement dated 20 July 2017. The transactions were completed in July 2017.

On 1 August 2017, the Group entered into agreements with 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 RMB100,000,000 (equivalent to approximately HK\$113,000,000), and following which, the Group has agreed to lease back the leased assets to the Anhui Changfeng for a term of 5 years at an estimated total lease payment of approximately RMB121,000,000 (equivalent to approximately HK\$137,000,000). The transactions constitute disclosable transactions of the Company. Details of the transactions are disclosed in the Company announcement dated 1 August 2017. The transactions were completed in August 2017.

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 constitute disclosable 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.

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 disclosable 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 report, the Group has not yet fund the commitment.

GLOSSARY

“Audit Committee”	the audit committee of the Company
“Authorised Representative”	the authorised representative of the Company under Rules 3.05 and 19.05(2) of the Listing Rules and Part 16 of the Companies Ordinance
“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 incorporated 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
“Deloitte”	Deloitte Touche Tohmatsu, the external auditor of the Group
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$” or “Hong Kong Dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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
“PRC”	the People’s Republic of China which, for the purposes of this report, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Remuneration Committee”	the remuneration committee of the Company
“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

GLOSSARY

“Risk Management Committee”	the risk management committee of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) of the Company with par value of HK\$0.01 each
“Shareholder(s)”	Holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme adopted by the sole Shareholder on 8 December 2014
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	a subscription agreement entered into between the Company with Right Select on 6 January 2017, 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 in cash at a subscription price of HK\$0.40 per subscription share
“US\$” or “US Dollars”	United States Dollars, the lawful currency of the United States of America
“%”	per cent