



INTERIM REPORT

Internal And External Linkages

華融投資股份有限公司

HUARONG INVESTMENT STOCK CORPORATION LIMITED

Incorporated in the Cayman Islands with limited liability

Stock Code: 2277.HK

2018

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Corporate Information

Board of Directors

Executive Directors

Mr. Qin Ling (*Chairman*)
Mr. Zhang Fan
Mr. Liu Xiguang
Mr. Kwan Wai Ming

Non-executive Director

Ms. Lin Xueqin

Independent Non-executive Directors

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

Company Secretary

Mr. Leung Chin Wan

Audit Committee

Mr. Chan Kee Huen Michael (*Chairman*)
Mr. Tse Chi Wai
Dr. Fang Fuqian

Remuneration Committee

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

Nomination Committee

Mr. Qin Ling (*Chairman*)
Mr. Chan Kee Huen Michael
Mr. Tse Chi Wai
Dr. Lam Lee G.
Dr. Fang Fuqian

Risk Management Committee

Mr. Liu Xiguang (*Chairman*)
Mr. Qin Ling
Mr. Zhang Fan
Ms. Lin Xueqin
Dr. Lam Lee G.

Registered Office

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

Head Office and Principal Place of Business in Hong Kong

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

Legal Advisers as to Hong Kong Laws

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 Bankers

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

Stock Code

2277

Website

www.hriv.com.hk

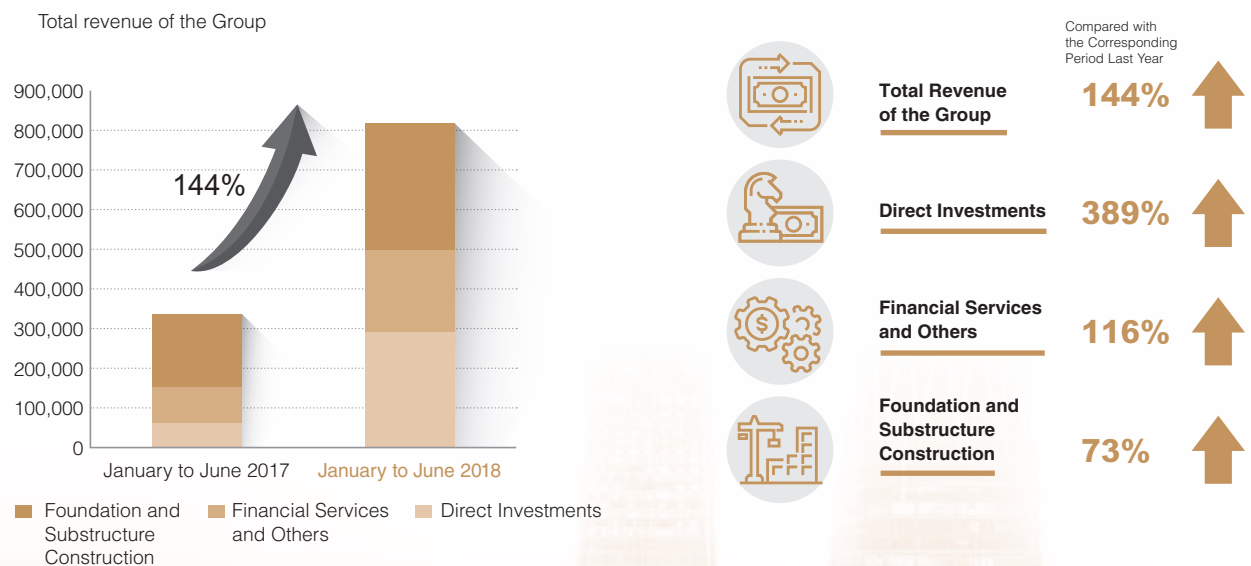
Management Discussion and Analysis

Business and Financial Review

Strengthen the business foundation and maintain stable development

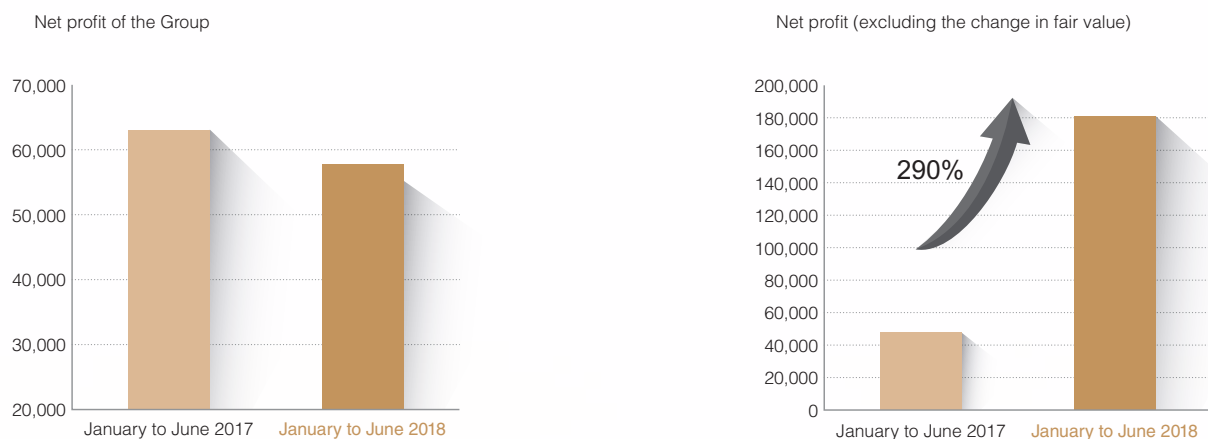
Since September 2016, the Company has adopted the strategy of diversification in its business operation, by adding direct investments and financial services and others as the two new business segments while continuing the foundation and substructure construction services segment. In 2017, the Group rapidly developed the new business segments and the total assets as at 31 December 2017 has been increased by 3.85 times as compared to the balance as at 31 December 2016. In 2018, facing the fluctuation in the global financial market and the uncertainty of American policies on global economy, the Group plans to strengthen its business foundation and maintain stable development, by way of enhancing the quality of its investment portfolios and pathing the way for future development.

During the Reporting Period, the Group's revenue recorded a strong growth to approximately HK\$821 million, representing an increase of approximately 144% as compared to approximately HK\$337 million for the Corresponding Period. Direct investment business segment recorded a revenue of approximately HK\$308 million, representing an increase of approximately 389% as compared to approximately HK\$63 million in the Corresponding Period. The revenue of financial services and other business segments was approximately HK\$192 million during the Reporting Period, representing an increase of approximately 116% as compared to approximately HK\$89 million in the Corresponding Period. In addition, the revenue of foundation and substructure construction services segment was approximately HK\$320 million during the Reporting Period, representing an increase of approximately 73% as compared to approximately HK\$185 million in the Corresponding Period. All three business segments of the Group recorded their growth, of which the driving force was the significant increase in the two new business segments, namely direct investments and financial services and others, which are also the key development focus of the Group in the future.



Management Discussion and Analysis

During the Reporting Period, the Group recorded profit of approximately HK\$58 million, which showed a drop of approximately 7% as compared to approximately HK\$63 million in the Corresponding Period. The decrease in profit for the Reporting Period was mainly due to unrealised loss on financial assets. During the Reporting Period, the Group's losses from unrealised loss on financial assets was approximately HK\$127 million (the Corresponding Period: gain of HK\$16 million). The relevant losses were mainly due to the decrease in fair value of investment products related to Hong Kong listed stocks. The diversified investment portfolios provided a stable income and growth in profit to the Group, and reduced the negative impact to the Group caused by the decrease in valuations of part of financial assets held by the Group affected by the wide capital market fluctuations. Excluding the impact of unrealised changes in fair values of financial assets during the Reporting Period, the profit for the Reporting Period was HK\$185 million, representing a growth of 290% as compared to HK\$47 million in the Corresponding Period. The Group believes the short-term market volatility and the effects of change in fair value of a few of individual investments will cause no material impact on the long-term development of the Group.



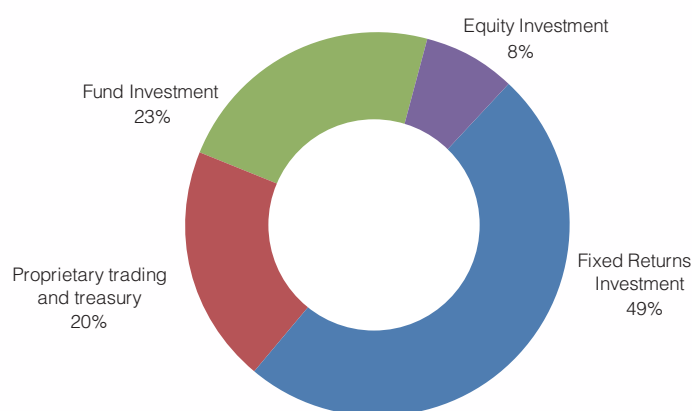
Direct Investments

Direct investment business mainly invested in equities, bonds, funds, derivative instruments and other financial products. As at 30 June 2018, the segment assets of direct investment business was approximately HK\$9,676 million (31 December 2017: HK\$10,063 million), representing a decrease of approximately 4% as compared with that of 31 December 2017. During the Reporting Period, segment revenues of approximately HK\$308 million (the Corresponding Period: HK\$63 million) and segment loss of approximately HK\$45 million (the Corresponding Period: segment profit of approximately HK\$53 million) were recorded.

Management Discussion and Analysis

The direct investment business of the Group is divided into four major categories, namely fixed returns investments, fund investments, equity investment and proprietary trading and treasury. Fixed returns investments mainly represented investment in private bonds, loans, convertible bonds and fixed income funds, which accounting for approximately 49% of the total investment assets. Such investment provided the Company with stable income and cash flow. The fund investment mainly represented investment in various funds investing in equity, which accounting for approximately 23% of the total investment assets. Equity investments accounted for approximately 8% of the total investment assets, mainly comprising shares of listed companies and equity investment of unlisted companies with strong potential. The proprietary trading and treasury accounted for approximately 20% of the total investment assets, which mainly invested in global bonds and conducted liquidity management and foreign exchange risk management for the Group through bond market, financing arrangement with banks and other financial instruments. The Group believes that while the stable income of the Company is guaranteed by fixed returns investments, fund and equity investments may bring potential and remarkable profit to the Group.

Direct Investment Assets as at 30 June 2018 (by Investment Categories)



Financial Services and Others

Financial services and other related services mainly include provision of finance lease services, business consulting services and other related services. The Group has set up a professional financial leasing company with relevant licences in the PRC. It is focusing on providing services to the basic industries which conform to the PRC's industrial policy and economic development trend, by way of introducing financial leasing to those industries, including the logistics, automobile, aviation, solar energy and wind power generation and liquified natural gas, to obtain constant and stable rental income. In addition, based on the Group's domestic and overseas business network and the experience of investing in various industries, the Group also provided consulting services on macro-economic, industry analysis, financial product design and other aspects for customers.

As at 30 June 2018, the segment assets of the business of the financial services and others amounted to approximately HK\$1,934 million (31 December 2017: HK\$1,983 million). During the Reporting Period, the segment revenue of approximately HK\$192 million (the Corresponding Period: HK\$89 million) and the segment profit of approximately HK\$119 million (the Corresponding Period: HK\$77 million) were recorded, representing an increase of approximately 116% and 56% as compared with that of the Corresponding Period.

Management Discussion and Analysis

Significant Investments

As at 30 June 2018, the Group's investment portfolio mainly comprised the following financial assets:

Investment	Stock code	Carrying amount (HK\$'000)	Percentage of portfolio	Fair value change during the Reporting Period (HK\$'000)	Date of relevant announcements
Convertible bonds issued by Carnival Group International Holdings Limited (<i>Note</i>)	00996.hk	127,451	1.2%	5,009	13 September 2016
Notes and warrants issued by Zhuguang Holdings Group Company Limited	01176.hk	93,077	0.9%	0	23 September 2016
Interest in Shenzhen China Merchant Huarong Investment Consultancy (Limited Partnership)	N/A	94,888	0.9%	0	19 October 2016
Interest in Edge Venture Partners L.P. (Limited Partnership)	N/A	620,970	6.0%	3,711	25 October 2016 1 December 2016
Shares in Altonics Holding Limited	00833.hk	82,214	0.8%	(22,722)	31 October 2016
Net investment in Cogobuy Group	00400.hk	119,505	1.1%	(381)	18 November 2016
Notes issued by Master Glory Group Limited	00275.hk	388,840	3.8%	0	24 November 2016 23 November 2017
Finance leasing arrangement with Zhangye Pingshan Lake Wind Power Co., Ltd	N/A	78,772	0.8%	0	4 January 2017
Interest in Leadingchina Creative Fund L.P. (Limited Partnership)	N/A	49,447	0.5%	922	5 January 2017
Interest in Tianli Private Debt Fund L.P. (Limited Partnership)	N/A	201,913	2.0%	1,639	6 January 2017
Finance leasing arrangement with Shenzhen Yestock Automobile Service Co., Ltd.	N/A	224,280	2.2%	0	16 March 2017 9 June 2017 21 December 2017
Finance leasing arrangement with Jiangsu Huifeng Wood Co., Ltd.	N/A	186,752	1.8%	0	10 May 2017
Finance leasing arrangement with Lhasa Fengdian Photovoltaic Power Generation Co., Ltd.	N/A	157,697	1.5%	0	9 June 2017
Finance leasing arrangement with Heze Shenzhou Environmental Services Co., Ltd.	N/A	114,514	1.1%	0	20 July 2017 13 April 2018
Finance leasing arrangement with Anhui Changfeng Cable Group Co., Ltd.	N/A	92,910	0.9%	0	1 August 2017
Subscription of (1) notes; and (2) interest in HK Bridge Special Situations Fund L.P.	N/A	214,666	2.1%	8,231	2 August 2017
Investment in Chelsea Manifest Fund	N/A	501,311	4.9%	(957)	14 August 2017
Finance leasing arrangement with Yanan Xinwoda LNG Co., Ltd.	N/A	344,750	3.4%	0	17 August 2017
Finance leasing arrangement with Youhe Daotong Aviation Co., Ltd.	N/A	399,443	3.9%	0	21 August 2017

Management Discussion and Analysis

Investment	Stock code	Carrying amount (HK\$'000)	Percentage of portfolio	Fair value change during the Reporting Period (HK\$'000)	Date of relevant announcements
Secured convertible bonds issued by Freeman Fintech Corporation Limited	00279.hk	396,931	3.9%	(73,266)	24 August 2017
Loan arrangement with Qingdao Jiyaohua Real Estate Co., Ltd.	N/A	789,045	7.7%	0	24 August 2017 30 August 2017 28 September 2017
Bonds issued by Intrend Ventures Limited	N/A	442,359	4.3%	0	30 August 2017
Finance leasing arrangement with Lihua Energy Co., Ltd.	N/A	54,715	0.5%	0	15 September 2017
Class B shares issued by All-Stars SP IV A Limited	N/A	156,959	1.5%	0	29 September 2017
Notes issued by an independent third party	N/A	484,038	4.7%	0	18 October 2017
(1) Acquisition of Sale CDIs; (2) Subscription of Subscription CDIs; and (3) Subscription of Convertible Notes	ASX:RTE	153,887	1.5%	(10,654)	9 November 2017
Notes issued by Mercury Union Limited	N/A	228,442	2.2%	0	21 November 2017
Entered into an Asset Management Agreement with China Merchants Wealth Asset Management Co. Ltd.	002142	344,158	3.4%	196	8 December 2017
Provision of financial assistance to an independent third party	N/A	344,057	3.4%	0	11 December 2017
Finance leasing arrangement with Anhui Pacific Cable Group Co., Ltd.	N/A	68,219	0.7%	0	27 December 2017
Bonds issued by Superactive Group Company Limited	0176.hk	288,539	2.8%	0	29 December 2017
Subscription for interest in the All-Stars Investment Private Partners Fund L.P.	N/A	19,560	0.2%	(568)	16 January 2018
Others		2,403,089	23.4%	(38,047)	
		10,267,398	100%	(126,887)	

Note: On 16 July 2018, the Company was informed by Carnival Group International Holdings Limited (the "Issuer") that the terms and conditions of the 8% secured convertible bonds due 2018 of the Issuer in principal amount of US\$15 million issued by the Issuer on 15 August 2016 have been amended with effect from the same date. Details of the amendments are disclosed in the Company's announcement dated 16 July 2018.

Further details of the above investments are disclosed in notes 5, 16 and 25 of the condensed consolidated financial statements for the Reporting Period.

Management Discussion and Analysis

Foundation and Substructure Construction Services

As at 30 June 2018, the segment assets of foundation and substructure construction services amounted to approximately HK\$262 million (31 December 2017: HK\$231 million). During the Reporting Period, the segment revenue of approximately HK\$320 million (the Corresponding Period: HK\$185 million) and the segment profit of approximately HK\$4 million (the Corresponding Period: segment loss of HK\$5 million) were recorded. Despite the increase in total amount of projects and revenue, the keen peer competition and increase in related costs have led to loss in such segment during the Reporting Period. The Group will continue to pay attention to the development of relevant foundation and substructure construction services, adjust its strategies and control costs to win long-term benefit for the Group.

Outlook

In 2018, the complicated and changing global situation resulted in more and higher risks. The Group will insist on the approach of “strengthen the foundation and maintain stable development”, keep enhancing the quality of project investment and strengthening the core competence and sustainability while increasing control and management of risks.

Through insisting on the development principle of “making progress while maintaining stability”, the Group will thoroughly analyse circumstances, sharpen its advantages, explore diversified competitive modes, while strengthening its foundation and maintain stable business development to intensify reform, optimise the structures of business, customer, and staff, as well as enhance its ability to serve the real economy.

Fully leveraging the advantages of the brand, financial resources, synergy and financial services of China Huarong, the controlling shareholder of the Company, the Group is able to lay solid foundation in Hong Kong, Macau and Taiwan, and at the same time, to serve the Greater China. The Group coincide with the development strategy of the state, “One-Belt-One-Road Initiative”, and coincide with the development of Guangdong, Hong Kong, and Macau Greater Bay Area to boost the continuous stable development of international business.

In the meantime, the Group will adhere to the development concept of “finance + industry” to provide enterprises with financial services. Based on the industries of environmental protection, clean energy, education and health care supported and encouraged by the state, the Group will seek and explore value-based enterprises with great strength and excellent quality in such industries to establish a long-term and stable strategic cooperative partnership and to gradually form the business models of close combination of finance and industry and of mutual development.

Strong management and risk prevention are always the most important aspects in the development of the Group. While “strengthening the foundation and maintaining stable development”, the Group will continue to strengthen its corporate governance and risk control mechanisms to improve the overall system management, boost the construction of cooperate culture of pragmatic and humble and achieve the steady growth and development of the Group.

Management Discussion and Analysis

Debts and Charge on Assets

The total interest-bearing borrowings of the Group as at 30 June 2018 were approximately HK\$10,209 million (31 December 2017: HK\$11,047 million). As at 30 June 2018, the secured interest borrowings were approximately HK\$2,198 million. The secured borrowings consist of (a) bank loans of HK\$807 million, secured by a deposit of which the carrying amount is US\$122 million (equivalent to HK\$957 million); (b) bank loan of HK\$374 million, secured by a finance lease receivable; and (c) bank borrowings and bank overdrafts of HK\$1,017 million, secured by debt investments of which the carrying amounts are equivalent to HK\$1,765 million.

Liquidity, Financial Resources and Capital Structure

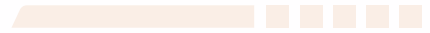
As at 30 June 2018, the Group's bank balances and cash (including deposits in other financial institutions) are approximately HK\$2,446 million (31 December 2017: HK\$1,653 million). The Group manages its capital structure to finance its overall operation and growth by using different sources of funds. During the Reporting Period, the Group's sources of fund include proceeds from perpetual capital instruments, loans from direct and indirect shareholders, loans from banks and internal resources. The gearing ratio of the Group as at 30 June 2018 (defined as total interest-bearing liabilities divided by the Group's total equity) was approximately 4.6 (31 December 2017: 4.7).

Treasury Policy

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Reporting Period. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position and implements in-house treasury measures to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

The Group's operations are mainly denominated in US dollars, HK Dollars and RMB. As the HK Dollars are pegged to the US dollars, the Group expects that there is no significant change in the exchange rate of US Dollars against HK Dollars. During the Reporting Period, the Group used the financial instruments in the market to hedge its exposure to foreign exchange risk arising from investment through the proprietary trading and treasury function of the Group in respect of the foreign exchange risk of some investments. The Group will keep monitoring its exposure to foreign exchange fluctuations carefully and may introduce appropriate hedging measures if necessary.





Management Discussion and Analysis

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2018 (31 December 2017: Nil).

Events After the reporting period

There were no significant events after the end of the Reporting Period.

Employees and Remuneration Policy

As at 30 June 2018, the Group had 244 staff (30 June 2017: 252). The total staff costs incurred by the Group for the Reporting Period were approximately HK\$76 million (the Corresponding Period: HK\$67 million).

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

Interim Dividend

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



Other Information

Review of the Interim Financial Statements

The Audit Committee comprising Mr. Chan Kee Huen Michael as chairman of Audit Committee as well as Mr. Tse Chi Wai and Dr. Fang Fuqian 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.

The Company's external auditor has carried out a review of the condensed consolidated financial statements for the Reporting Period in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants.

Model Code for Securities Transactions by Directors

The Company adopts the Model Code as a code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, it is confirmed that all Directors have complied with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions during the Reporting Period.

Code on Corporate Governance Practices

The Board and management of the Company are committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Company emphasise a quality Board, sound internal controls, and transparency and accountability to all Shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the CG Code throughout the Reporting Period, except for the following deviation:

Code Provision A.6.7 of the CG Code provides that independent non-executive directors and other non-executive directors, as equal Board members, should attend the general meetings and develop a balanced understanding of the views of shareholders.

Due to other business engagement, Mr. Chan Kee Huen Michael, an Independent Non-executive Director, did not attend the 2018 AGM.

Directors' and Chief Executives' Interests in Securities

As at 30 June 2018, no interests or short positions in the Shares, underlying Shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) were held by the Directors and the chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code.



Other Information

Share Option Scheme

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

The Board may, at its absolute discretion and on such terms as it may think fit, grant options to any employee (fulltime 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.

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the adoption date (i.e. 8 December 2014) and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting. As at the date of this Interim Report, the Share Option Scheme had a remaining life of approximately six 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 2018. As at the date of this Interim Report, the number of share options available for issue under the Share Option Scheme was 103,000,000, representing approximately 5.67% of the total issued Shares as at the date of this Interim Report. A summary of the principal terms and conditions of the Share Option Scheme is set out in Appendix IV to the prospectus of the Company dated 15 December 2014.

Other Information

Substantial Shareholders' Interests

So far as is known to the Directors and the chief executive of the Company, as at 30 June 2018, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholders	Capacity	Number of Shares	Approximate percentage of the issued share capital (%)
Right Select	Beneficial owner (Note 1)	926,042,000	50.99%
CHIH	Interest of controlled corporation (Note 1)	926,042,000	50.99%
China Huarong	Interest of controlled corporation (Note 1)	926,042,000	50.99%
China Tian Yuan Asset Management Limited	Beneficial owner (Note 2)	353,375,000	19.46%
China Tian Yuan Manganese Finance (Holdings) Limited	Interest of controlled corporation (Note 2)	353,375,000	19.46%
China Tian Yuan Manganese Limited	Interest of controlled corporation (Note 2)	353,375,000	19.46%
Ningxia Tianyuan Manganese Industry Co., Ltd.	Interest of controlled corporation (Note 2)	353,375,000	19.46%
Jia Tianjiang	Interest of controlled corporation (Note 2)	353,375,000	19.46%
Dong Jufeng	Interest of spouse (Note 3)	353,375,000	19.46%

Notes:

- Based on the disclosure of interests filed by Right Select, CHIH and China Huarong on 2 March 2017, the 926,000,000 Shares are registered in the name of Right Select. To the best of the Directors' knowledge, as at 30 June 2018, 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).
- The 353,375,000 Shares are registered in the name of China Tian Yuan Asset Management Limited. China Tian Yuan Asset Management Limited is wholly owned by China Tian Yuan Manganese Finance (Holdings) Limited. China Tian Yuan Manganese Finance (Holdings) Limited is wholly owned by China Tian Yuan Manganese Limited. China Tian Yuan Manganese Limited is wholly owned by Ningxia Tianyuan Manganese Industry Co., Ltd. Ningxia Tianyuan Manganese Industry Co., Ltd. is owned as to 99.62% by Jia Tianjiang.
- The 353,375,000 Shares were directly held by China Tian Yuan Asset Management Limited, which is indirectly owned as to 99.62% by Jia Tianjiang, the spouse of Dong Jufeng. Therefore, Dong Jufeng is deemed to be interested in the 353,375,000 Shares held by China Tian Yuan Asset Management Limited by virtue of the SFO.

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

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

Change of Directors' Information

On 13 March 2018, Mr. Xu Xiaowu has resigned as an Executive Director and the chief executive officer of the Company and ceased to be the Authorised Representative, and a member each of the Remuneration Committee and Risk Management Committee and Mr. Zhang Fan has been appointed as an Executive Director, the Authorised Representative, and a member each of the Remuneration Committee and Risk Management Committee.

Please refer to the Company's announcement dated 13 March 2018 for further details.

Other Information

Change of Auditors

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

Disclosure Under Rule 13.21 of the Listing Rules

On 29 June 2017, the Company (as borrower) entered into a revolving loan facility agreement with a bank of up to an aggregate amount of US\$100,000,000 which is available for 18 months from 29 June 2017 and the maximum term of each drawing is 12 months.

On 16 August 2017, the Company (as borrower) signed a revolving loan facility letter with a bank for up to an aggregate amount of HK\$500,000,000 (or its equivalent in US Dollars). Such facility is unsecured and be at all times available at the sole and absolute discretion of the bank.

On 7 September 2017, the Company (as borrower) and a syndicate of banks entered into a short tenor term loan facility agreement of HK\$2,328,000,000 and US\$147,500,000 with greenshoe option to increase the facility to not more than HK\$5,000,000,000 (or its equivalent in US Dollars). Such facility has a term of 364 days.

On 28 February 2018, the Company (as borrower) signed a revolving loan facility letter with a bank for up to an aggregate amount of US\$300,000,000 (or its equivalent in HK Dollars), the exact amount to be drawn should be subject to the bank's approval. The maturity date of such facility shall be at the earlier of (i) the bank's prevailing annual review date; or (ii) 12 months after the date of the facility letter.

On 17 April 2018, the Company (as borrower) signed an uncommitted revolving loan facility letter with a bank for up to an aggregate amount of US\$50,000,000 (or its equivalent in HK Dollars). The facility shall be at all times available subject to the bank's review.

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

On 17 July 2018, the Company (as borrower) signed a revolving short term advance facility letter and a treasury facility letter with a bank for up to an aggregate amount of US\$15,000,000 (or its equivalent amount in other major foreign currencies) and US\$5,000,000 respectively. The terms of the facilities shall be subject to the bank's annual review on 30 June each year.

On 1 August 2018, the Company (as borrower) signed a revolving facility letter with a bank for up to an aggregate amount of US\$10,000,000 (or its equivalent in HK Dollars). The term of the facility shall be one year.

Under the facility letters entered into on 17 July 2018 and 1 August 2018, as long as the facilities remain outstanding, China Huarong should remain as the majority shareholder of the Company.

As at the date of this Interim Report, China Huarong beneficially owns approximately 50.99% of the issued share capital of the Company. Please refer to the Company's announcements dated 30 June 2017, 16 August 2017, 7 September 2017, 28 February 2018, 17 April 2018, 17 July 2018 and 1 August 2018 for further details.

Related Party Transactions and Connected Transactions

Related party transactions entered into or subsisting by the Group during the Reporting Period, which also constituted connected transactions or continuing connected transactions under the Listing Rules, are disclosed in note 24 to the condensed consolidated financial statements for the Reporting Period. All such connected transactions have complied with the disclosure requirements under Chapter 14A of the Listing Rules.

Report on Review of Condensed Consolidated Financial Statements

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

Introduction

We have reviewed the condensed consolidated financial statements of Huarong Investment Stock Corporation Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 16 to 62, which comprise the condensed consolidated statement of financial position as of 30 June 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

Except as explained in the following paragraph, 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.

Basis for Qualified Conclusion

As disclosed in note 2 to the condensed consolidated financial statements, the former chairman of the Company’s ultimate holding company, China Huarong Asset Management Co., Ltd. (“**China Huarong**”), a company established in the People’s Republic of China and the indirect controlling shareholder of the Company, is currently the subject of a disciplinary investigation by the relevant authorities in Mainland China. If any information relevant to the Group comes out of the disciplinary investigation, the Company has indicated that it will give careful consideration as to whether there are any implications for the Group. In addition, the Company has decided to initiate an internal investigation, including, into loan arrangements and related recoverability. It is not practicable for the Company to estimate the impact, if any, of the above mentioned matters on the condensed consolidated financial statements.

Qualified Conclusion

Except for the adjustments to the condensed consolidated financial statements that we might have become aware of had it not been for the situation described above, based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 August 2018

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

	Notes	Six months ended 30 June	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue			
Income from construction services	4	320,355	185,269
Dividend and service income	4	167,170	113,776
Interest income	4	333,435	38,057
		820,960	337,102
Net unrealised (loss) gain on financial assets at fair value through profit or loss	5	(126,887)	15,610
Net realised (loss) gain on financial assets at fair value through profit or loss	5	(725)	66,913
Other gains or losses	6	(13,678)	(8,701)
Net reversal (recognition) of impairment losses	7	55,274	(11,741)
Other income	8	20,515	7,791
Labour costs for construction business		(24,520)	(28,047)
Other staff costs		(51,089)	(38,700)
Material and subcontractor costs		(244,877)	(85,786)
Other construction costs		(27,130)	(41,626)
Other operating expenses		(124,727)	(50,371)
Finance costs	9	(221,855)	(66,216)
Profit before tax	10	61,261	96,228
Income tax expense	11	(2,776)	(33,119)
		58,485	63,109
Profit for the period attributable to:			
Owners of the Company		26,680	63,109
Holder of the perpetual capital instrument		31,805	–
		58,485	63,109
Other comprehensive (expense) income for the period			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Change in fair value of available-for-sale investments		–	53,141
Reclassification adjustments to profit or loss of disposal of available-for-sale investments		–	(61,221)
Exchange differences arising on translating foreign operations		(16,442)	14,187
Other comprehensive (expense) income for the period, net of tax		(16,442)	6,107
Total comprehensive income for the period		42,043	69,216
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		10,238	69,216
Holder of the perpetual capital instrument		31,805	–
		42,043	69,216
Earnings per share (HK cents)			
– Basic	13	1.47	3.87

Condensed Consolidated Statement of Financial Position

At 30 June 2018

	Notes	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Plant and equipment	14	68,683	77,572
Intangible asset		1,840	1,840
Finance lease receivables	17	1,284,123	1,447,928
Loan and debt instruments	15	885,649	1,225,702
Financial investments	16	1,940,273	2,172,787
Rental deposit		28,266	28,277
Total non-current assets		4,208,834	4,954,106
CURRENT ASSETS			
Amounts due from customers for contract work		–	62,369
Contract assets	18	113,577	–
Trade and other receivables	19	357,060	192,797
Financial investments	16	3,049,295	5,496,114
Finance lease receivables	17	472,367	473,671
Loan and debt instruments	15	2,635,691	971,257
Amounts due from fellow subsidiaries		1,149	100,965
Amount due from the immediate holding company		226,900	2,800
Amounts due from related parties		–	26
Deposits in other financial institutions		315,141	146,341
Tax recoverable		6,804	–
Pledged bank deposits		957,449	953,658
Bank balances and cash		1,173,252	552,884
Total current assets		9,308,685	8,952,882
CURRENT LIABILITIES			
Amounts due to customers for contract work		–	3,839
Trade and other payables	20	255,678	255,385
Obligations under finance leases	21	5,704	7,692
Interest-bearing borrowings	22	7,622,962	8,102,639
Amounts due to fellow subsidiaries		656,571	9,085
Amount due to an intermediate holding company		–	8,696
Amounts due to related parties		14,221	12,202
Deposit from finance lease customers		3,632	–
Tax payables		68,345	91,033
Financial investments	16	8,392	17,384
Total current liabilities		8,635,505	8,507,955

Condensed Consolidated Statement of Financial Position

At 30 June 2018

		30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
	<i>Notes</i>		
NET CURRENT ASSETS		673,180	444,927
TOTAL ASSETS LESS CURRENT LIABILITIES		4,882,014	5,399,033
NON-CURRENT LIABILITIES			
Obligations under finance leases	21	5,747	5,637
Interest-bearing borrowings	22	2,586,186	2,943,941
Deposit from finance lease customers		65,044	65,455
Deferred tax liabilities		15,374	21,028
Total non-current liabilities		2,672,351	3,036,061
NET ASSETS		2,209,663	2,362,972
CAPITAL AND RESERVES			
Share capital	23	18,160	18,160
Perpetual capital instrument		1,298,138	1,266,333
Reserves		893,365	1,078,479
TOTAL EQUITY		2,209,663	2,362,972

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Attributable to owners of the Company										
	Share capital	Share premium	Capital reserve	Merger reserve	Statutory reserve	Available-for-sale investments revaluation reserve	Exchange reserve	Retained earnings	Subtotal	Perpetual capital instrument	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Note a)	(Note b)	(Note c)	(Note d)						
At 1 January 2017 (audited)	12,360	331,860	7,164	(87,838)	3,819	(536)	(2,761)	297,972	562,040	-	562,040
Profit for the period	-	-	-	-	-	-	-	63,109	63,109	-	63,109
Other comprehensive (expense) income for the period											
Change in fair value of available-for-sale investments	-	-	-	-	-	53,141	-	-	53,141	-	53,141
Reclassification adjustments to profit or loss on disposal	-	-	-	-	-	(61,221)	-	-	(61,221)	-	(61,221)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	14,187	-	14,187	-	14,187
Other comprehensive (expense) income for the period	-	-	-	-	-	(8,080)	14,187	-	6,107	-	6,107
Total comprehensive (expense) income for the period	-	-	-	-	-	(8,080)	14,187	63,109	69,216	-	69,216
Issue of shares	5,800	226,200	-	-	-	-	-	-	232,000	-	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	-	863,256
At 31 December 2017 (audited)	18,160	558,060	7,164	(87,838)	24,431	1,813	27,893	546,956	1,096,639	1,266,333	2,362,972
Effect arising from initial application of HKFRS 15	-	-	-	-	-	-	-	(23,194)	(23,194)	-	(23,194)
Effect arising from initial application of HKFRS 9	-	-	-	-	-	(1,813)	(2,690)	(167,655)	(172,158)	-	(172,158)
At 1 January 2018	18,160	558,060	7,164	(87,838)	24,431	-	25,203	356,107	901,287	1,266,333	2,167,620
Profit for the period	-	-	-	-	-	-	-	26,680	26,680	31,805	58,485
Other comprehensive (expense) income for the period											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(16,442)	-	(16,442)	-	(16,442)
Other comprehensive (expense) income for the period	-	-	-	-	-	-	(16,442)	-	(16,442)	-	(16,442)
Total comprehensive (expense) income for the period	-	-	-	-	-	-	(16,442)	26,680	10,238	31,805	42,043
At 30 June 2018 (unaudited)	18,160	558,060	7,164	(87,838)	24,431	-	8,761	382,787	911,525	1,298,138	2,209,663

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

Notes:

- a. Under the Companies Law (as revised) of the Cayman Islands, the share premium account of the Company is distributable to its shareholders, provided that immediately following the date on which the dividend is proposed to be paid, the Company shall be able to pay its debts as when they fall due in the ordinary course of business.
- b. The capital reserve represents the deemed capital contribution from its former shareholder, Golden Roc Holdings Limited ("**Golden Roc**"), in relation to listing expenses reimbursed to the Company in prior period.
- c. The merger reserve represents the difference between the total equity of those subsidiaries (which were transferred from Golden Roc to the Company) and the aggregate share capital of the relevant subsidiaries pursuant to the group reorganisation where the transfer of the relevant subsidiaries to the Company are satisfied by issue of new shares from the Company to Golden Roc in prior year.
- d. 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 2018

	Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	1,330,697	(859,653)
INVESTING ACTIVITIES		
Purchase of plant and equipment	(6,775)	(19,897)
Proceeds from disposal of items of plant and equipment	3,007	12,570
Purchases of financial investments	(181,278)	(813,206)
Proceeds from disposal of financial investments	37,391	373,485
Repayment from related parties	26	1,194
Repayment from fellow subsidiaries	99,816	–
Advances to the immediate holding company	(224,100)	–
Placement of pledged bank deposits	(3,791)	–
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(275,704)	(445,854)
FINANCING ACTIVITIES		
Proceeds from issue of new shares	–	232,000
New interest-bearing borrowings raised	849,904	3,151,572
Repayments of interest-bearing borrowings	(1,691,911)	(139,434)
Capital element of finance lease rentals paid	(4,852)	(4,029)
Interest element of finance lease rentals paid	(201)	(204)
Interest paid	(216,513)	(56,440)
Advances from (repayment to) related parties	2,019	(6,822)
Advances from fellow subsidiaries	647,486	–
Repayment to an intermediate holding company	(8,696)	–
NET CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES	(422,764)	3,176,643
NET INCREASE IN CASH AND CASH EQUIVALENTS	632,229	1,871,136
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	552,884	1,452,372
EFFECT OF FOREIGN EXCHANGE RATE CHANGE, NET	(11,861)	4,357
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	1,173,252	3,327,865

Note:

During the six months ended 30 June 2018, additions to plant and equipment of approximately HK\$2,974,000 was financed by finance lease arrangements (six months ended 30 June 2017: HK\$4,352,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

1. Corporate Information

Huarong Investment Stock Corporation Limited (the “**Company**”) is an exempted company with limited liability incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 29 December 2014. The registered office of the Company is located at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The principal place of operations of the Company is situated at Room 3201, 32/F, Two Pacific Place, 88 Queensway, Hong Kong.

The Company acts as an investment holding company and the principal activities of the Company and its subsidiaries (collectively referred to as the “**Group**”) are (i) direct investments; (ii) financial services and others; and (iii) foundation and substructure construction services.

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

Certain comparative figures have been reclassified to conform to the current period presentation.

2. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“**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 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.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2017.

Significant events in the current interim period

On 17 April 2018, the relevant authorities in Mainland China instigated a disciplinary investigation into the former chairman of the Company’s ultimate holding company, China Huarong Asset Management Co. Ltd., (“**China Huarong**”), a company established in the People’s Republic of China and the indirect controlling shareholder of the Company whose shares are listed on the Stock Exchange.

China Huarong and the Company have been closely co-operating with the relevant authorities. If any information relevant to the Group comes out of the disciplinary investigation, the Company has indicated that it will give careful consideration as to whether there are any implications for the Group. In light of the disciplinary investigation, China Huarong and the Company are closely monitoring the situation and have taken proactive measures to protect the interests of the Group. In addition, the Company has decided to initiate an internal investigation, including, into loan arrangements and related recoverability. It is not practicable for the Company to estimate the impact, if any, of the above mentioned matters on the condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. Basis of Preparation (continued)

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which result in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 “Revenue from Contract with Customers” (“**HKFRS 15**”) for the first time in the current interim period. HKFRS 15 superseded HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations.

The Group recognises revenue from the following major sources:

- Foundation and substructure construction services
- Dividend income
- Interest income from loan and debt instruments, finance lease receivables, and financial assets at fair value through profit or loss (“**FVTPL**”)
- Income from provision of business consulting services and others

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 “Revenue” and HKAS 11 “Construction Contracts” and the related interpretations.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. Basis of Preparation (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue including income from provision of business consultancy service is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9 “Financial Instruments” (“**HKFRS 9**”). In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. Basis of Preparation (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method for construction contract, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

2.1.2 Summary of effects arising from initial application of HKFRS 15

The revenue from construction contracts is recognised over time under output method as the Group's performance creates and enhances an asset that the customer controls as the Group performs. The progress towards complete satisfaction of a performance obligation of construction contracts is measured with reference to the certificates issued by the internal or external surveyors on the performance or work completed to date. Costs qualify as costs to fulfil a contract as mentioned above will be recognised as contract costs to be amortised on a systematic basis with the transfer to the customer of the services to which assets relates, while contract costs that related to fulfill performance obligations are expensed as incurred.

The following table summarises the impact of transition to HKFRS 15 on retained earnings at 1 January 2018.

	<i>Note</i>	Impact of adopting HKFRS 15 at 1 January 2018 HK\$'000
Retained earnings		
Adjustments of amounts due from/to customers for contract work and creditors and accrued charges	(a)	(27,777)
Tax effect	(a)	4,583
Impact at 1 January 2018		(23,194)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. Basis of Preparation (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (continued)

2.1.2 Summary of effects arising from initial application of HKFRS 15 (continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2017 HK\$'000	Adjustment HK\$'000	Carrying amounts under HKFRS 15 at 1 January 2018* HK\$'000
Current assets				
Amounts due from customers for contract work	(a) & (c)	62,369	(62,369)	–
Trade and other receivables	(b)	192,797	(59,142)	133,655
Contract assets	(b) & (c)	–	89,895	89,895
Tax recoverable	(a)	–	3,518	3,518
Current liabilities				
Amounts due to customers for contract work	(a)	3,839	(3,839)	–
Deferred tax liabilities	(a)	21,028	(1,065)	19,963
Capital and reserves				
Retained earnings	(a)	546,956	(23,194)	523,762

* The amounts in this column are before the adjustments from the application of HKFRS 9.

Notes:

- (a) In relation to construction contracts previously accounted under HKAS 11, the Group continues to apply output method in estimating the progress toward complete satisfaction of performance obligations under HKFRS 15. Under HKAS 11, construction costs were charged to profit or loss by reference to the stage of completion of the contract, which is measured by reference to the estimated total revenue for contracts entered into by the Group that have been performed to date. Under HKFRS 15, costs that relate to satisfying performance obligations are expensed as incurred. Costs to fulfil a contract is not material. Construction costs of HK\$27,777,000 that have been incurred but deferred to be recognised in profit or loss under HKAS 11 included in amounts due from/to customers for contract work were charged to retained earnings on transition to HKFRS 15. The related tax effect of HK\$3,518,000 and HK\$1,065,000 were recognised in tax recoverable and deferred tax liabilities respectively and included in adjustment to retained earnings.
- (b) At the date of initial application, retention receivables of HK\$60,540,000, arising from the construction contracts are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts, and such balance was reclassified from trade and other receivables to contract assets.
- (c) At the date of initial application, unbilled revenue of HK\$29,355,000 arising from the construction contracts are conditional on the satisfaction by the customers on the construction work completed by the Group and the work is pending for the certification by the customers, and such balance was reclassified from amounts due from customers for contract work to contract assets.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. Basis of Preparation (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (continued)

2.1.2 Summary of effects arising from initial application of HKFRS 15 (continued)

The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 and its condensed consolidated statement of profit or loss and other comprehensive income for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position as at 30 June 2018

	As reported HK\$'000	Adjustments HK\$'000	Amounts without application of HKFRS 15 HK\$'000
Current assets			
Amounts due from customers for contract work	–	108,322	108,322
Trade and other receivables	350,748	46,591	397,339
Contract assets	113,577	(113,577)	–
Tax recoverable	6,804	(2,790)	4,014
Current liabilities			
Amounts due to customers for contract work	–	17,979	17,979
Deferred tax liabilities	15,374	1,065	16,439
Capital and reserves			
Retained earnings	382,787	19,502	402,289

Impact on the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2018

	As reported HK\$'000	Adjustments HK\$'000	Amounts without application of HKFRS 15 HK\$'000
Income from construction services	320,355	–	320,355
Labour costs for construction business	(24,520)	(359)	(24,879)
Material and subcontractor costs	(244,877)	(3,584)	(248,461)
Other construction costs	(27,130)	(479)	(27,609)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. Basis of Preparation (continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the current period, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“**ECL**”) for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between the carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 “Financial Instruments: Recognition and Measurement (“**HKAS 39**”)”.

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contract with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are as subsequently measured at either amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (“**FVTOCI**”):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. Basis of Preparation (continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Classification and measurement of financial assets (continued)

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income (“OCI”) if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 “Business Combinations” applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group’s right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the “Dividend and service income” line item in profit or loss.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. Basis of Preparation (continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Classification and measurement of financial assets (continued)

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "Net unrealised (loss) gain on financial assets at fair value through profit or loss" or "Net realised (loss) gain on financial assets at fair value through profit or loss" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 2.3.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including financial assets at amortised costs, finance lease receivables and contract assets). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade and other receivables and contract assets. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

Loan and debt instrument and finance lease receivables are subject to impairment under HKFRS 9. The Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. Basis of Preparation (continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Impairment under ECL model (continued)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. Basis of Preparation (continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Impairment under ECL model (continued)

Significant increase in credit risk (continued)

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For finance lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the finance lease receivable in accordance with HKAS 17 "Leases".

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for contract assets, finance lease receivables, and financial assets at amortised cost by adjusting through a loss allowance account.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. Basis of Preparation (continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Impairment under ECL model (continued)

Measurement and recognition of ECL (continued)

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets at amortised costs, finance lease receivables and contract assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.3.

2.2.2 Summary of effects arising from initial application of HKFRS 9

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets and trade and other receivables. To measure the ECL, contract assets and trade receivables have been grouped based on shared credit risk characteristics. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for the trade receivables are a reasonable approximation of the loss rates for the contract assets.

Loss allowances for other financial assets at amortised cost mainly comprise of loan and debt instruments and finance lease receivables, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the additional credit loss allowance of HK\$169,468,000 has been recognised against retained earnings. The additional loss allowance is charged against the respective asset.

The following table reconciles the impairment allowance measured in accordance with HKAS 39 (under incurred loss model) as at 31 December 2017 to the new impairment allowance measured with HKFRS 9 (under ECL model) at 1 January 2018:

	Impairment allowance under HKAS 39 at 31 December 2017	Reclassification	Exchange adjustment	Impairment allowance under re-measurement	Impairment allowance under HKFRS 9 at 1 January 2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Finance lease receivables	30,300	-	2,383	68,279	100,962
Loan and debt instruments	34,115	-	307	86,581	121,003
Trade and other receivables	15,000	(15,000)	-	246	246
Contract assets	-	15,000	-	14,362	29,362
Total	79,415	-	2,690	169,468	251,573

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. Basis of Preparation (continued)

2.3 Impacts and changes in accounting policies of application on HKFRS 9 and HKFRS 15

Summary of effects arising from initial application of HKFRS 9 and HKFRS 15

As a result of the changes in the entity's accounting policies above, the table below illustrates the overall application on HKFRS 9 and HKFRS 15 at the date of initial application, 1 January 2018.

	Closing balance at 31 December 2017 HK\$'000	Effect arising from initial application of HKFRS 15 HK\$'000	Effect arising from initial application of HKFRS 9				Opening balance at 1 January 2018 HK\$'000
			Reclassification adjustments on HKFRS 9			Remeasurement of impairment under ECL model HK\$'000	
			From Held for trading investments HK\$'000 Note (b)	From Available- for-sale investments ("AFS") HK\$'000 Note (a)	From Financial assets designated at FVTPL HK\$'000 Note (b)		
Financial investments							
– AFS	4,314,235	–	–	(4,314,235)	–	–	
– Financial assets designated at FVTPL	1,391,650	–	–	–	(1,391,650)	–	
– Held for trading investments (assets)	1,963,016	–	(1,963,016)	–	–	–	
– Held for trading investments (liabilities)	(17,384)	–	17,384	–	–	–	
– Financial assets at FVTPL	–	–	1,963,016	1,909,088	1,391,650	–	5,263,754
– Financial liabilities at FVTPL	–	–	(17,384)	–	–	–	(17,384)
– Financial asset at FVTOCI	–	–	–	650	–	–	650
	7,651,517	–	–	(2,404,497)	–	–	5,247,020
Finance lease receivables	1,921,599	–	–	–	–	(70,662)	1,850,937
Loan and debt instruments	2,196,959	–	–	2,404,497	–	(86,888)	4,514,568
Trade and other receivables	192,797	(59,142)	–	–	–	(246)	133,409
Contract assets	–	89,895	–	–	–	(14,362)	75,533
Amount due from customers for contract work	62,369	(62,369)	–	–	–	–	–
Amount due to customers for contract work	(3,839)	3,839	–	–	–	–	–
Tax recoverable	–	3,518	–	–	–	–	3,518
Deferred tax liabilities	(21,028)	1,065	–	–	–	–	(19,963)
Available-for-sale investments revaluation reserve	(1,813)	–	–	1,813	–	–	–
Retained earnings	(546,956)	23,194	–	(1,813)	–	169,468	(356,107)
Exchange reserve	(27,893)	–	–	–	–	2,690	(25,203)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. Basis of Preparation (continued)

2.3 Impacts and changes in accounting policies of application on HKFRS 9 and HKFRS 15 (continued)

Summary of effects arising from initial application of HKFRS 9 and HKFRS 15 (continued)

Notes:

(a) AFS

From AFS equity investment to financial asset at FVTOCI

The Group elected to present in OCI for the fair value changes of all its unquoted equity investment previously classified as AFS, of which HK\$650,000 related to unquoted equity investment previously carried at fair value under HKAS 39. At the date of initial application of HKFRS 9, the unquoted equity investment was reclassified from AFS investments to equity instrument at FVTOCI.

From AFS investments to financial assets at FVTPL

At the date of initial application of HKFRS 9, the Group's fund investments, listed bond and asset management plan of HK\$1,909,088,000 were reclassified from available-for-sale investments to financial assets at FVTPL. The fair value gains of HK\$1,813,000 relating to those investments previously carried at fair value were transferred from AFS revaluation reserve to retained earnings.

From AFS debt investments to loan and debt instruments

At the date of initial application of HKFRS 9, all unlisted debt instruments of HK\$2,404,497,000 were reclassified from AFS debt investments to loan and debt instruments since the Group's business model is to hold these investments for collection of contractual cash flows, and the cash flows represent solely payments of principal and interest on the principal amount outstanding. The adjustment to the carrying amounts at the date of transition is not material.

(b) Financial assets at FVTPL and/or designated at FVTPL

At the date of initial application, the Group no longer applied designation as measured at FVTPL for the convertible bond and fund investments which are managed and their performance is evaluated on a fair value basis, as these financial assets are required to be measured at FVTPL under HKFRS 9. As a result, the fair value of these investments of HK\$1,391,650,000 were reclassified from financial assets designated at FVTPL to financial assets at FVTPL.

At the date of initial application, the Group's of approximately HK\$1,815,442,000 financial assets meet the definition of held for trading in HKFRS 9.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

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

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

- (1) Direct investments – direct investment in equities, bonds, funds, derivative instruments, loans and other financial products.
- (2) Financial services and others – finance lease 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.

Segment revenues and results

The following tables present the revenue and results for the six months ended 30 June 2018 and 2017 and certain assets, liabilities and expenditure information for the Group's operating segments as at 30 June 2018 and 31 December 2017 and for the period then ended.

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

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



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

3. Operating Segment Information (continued)

Six months ended 30 June 2018 (unaudited)

	Direct investments HK\$'000	Financial services and others HK\$'000	Foundation and substructure construction services HK\$'000	Total HK\$'000
Segment revenue	308,434	192,171	320,355	820,960
Segment result	(44,840)	119,381	4,263	78,804
Segment result have been arrived at after (charging) crediting:				
Net reversal of impairment loss	44,796	5,778	4,700	
Net unrealised loss on financial assets at fair value through profit or loss	(126,887)	–	–	
Net realised loss on financial assets at fair value through profit or loss	(725)	–	–	
Finance costs	(176,835)	(35,748)	(2,680)	
Unallocated income and expenses				
Other losses				(13,678)
Other income				12,203
Staff cost and other operating expenses				(9,476)
Finance costs				(6,592)
Profit before tax				61,261

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 result	52,504	76,767	(4,741)	124,530
Segment result have been arrived at after crediting (charging):				
Net recognition of impairment loss	–	–	(11,741)	
Net unrealised gain on financial assets at fair value through profit or loss	15,610	–	–	
Net realised gain on financial assets at fair value through profit or loss	66,913	–	–	
Finance costs	(40,924)	(1,298)	(4,858)	
Unallocated income and expenses				
Other losses				(8,701)
Other income				7,207
Staff cost and other operating expenses				(7,672)
Finance costs				(19,136)
Profit before tax				96,228

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

3. Operating Segment Information (continued)

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

Segment assets and liabilities

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

	As at 30 June 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Segment assets		
Direct investments	9,675,581	10,062,994
Financial services and others	1,933,660	1,982,512
Foundation and substructure construction services	261,964	230,752
Total segment assets	11,871,205	12,276,258
Unallocated corporate assets	1,646,314	1,630,730
Total consolidated assets	13,517,519	13,906,988
Segment liabilities		
Direct investments	1,543,348	2,142,522
Financial services and others	452,138	417,083
Foundation and substructure construction services	628,584	496,878
Total segment liabilities	2,624,070	3,056,483
Unallocated corporate liabilities	8,683,786	8,487,533
Total consolidated liabilities	11,307,856	11,544,016

Included in unallocated segment assets and liabilities, certain bank balances and cash, plant and equipment, amounts due from related parties, other receivables, tax payables, interest-bearing borrowings, deferred tax liabilities and other payables were managed in a centralised manner for the purpose of monitoring segment performance and allocating resources between segments.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

4. Revenue

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

	Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Income from construction services		
Foundation and substructure construction services	320,355	185,269
Dividend and service income		
Dividend income	32,484	32,729
Income from provision of business consulting services and others	134,686	81,047
	167,170	113,776
Interest income		
Interest income from loan and debt instruments	194,973	25,547
Interest income from finance lease receivables	72,452	7,856
Interest income from financial assets at FVTPL	66,010	4,654
	333,435	38,057
Total	820,960	337,102

5. Net Unrealised (Loss) Gain on Financial Assets at Fair Value Through Profit or Loss/Net Realised (Loss) Gain on Financial Assets at Fair Value Through Profit or Loss

	Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Net unrealised (loss) gain on financial assets at fair value through profit or loss		
Unrealised (loss) gain on financial assets at fair value through profit or loss	(126,887)	25,234
Unrealised loss on financial assets designated at fair value through profit or loss	N/A	(9,624)
	(126,887)	15,610
Net realised (loss) gain on financial assets at fair value through profit or loss		
Realised gain on available-for-sale investments	N/A	61,221
Realised (loss) gain on financial assets at fair value through profit or loss	(725)	5,692
	(725)	66,913

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

6. Other Gains or Losses

An analysis of other gain or losses is as follows:

	Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Net exchange losses	(15,370)	(9,196)
Net gain on disposal of plant and equipment	1,692	495
	(13,678)	(8,701)

7. Net Reversal (Recognition) of Impairment Losses

An analysis of net reversal (recognition) of impairment losses is as follows:

	Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Bad debts on trade receivables of construction services	–	(8,741)
Provision for impairment losses on trade and other receivables	(80)	(3,000)
Net reversal of impairment losses on finance lease receivables	5,778	–
Net reversal of impairment losses on loan and debt instruments	44,796	–
Net reversal of impairment losses on contract assets	4,780	–
	55,274	(11,741)

8. Other Income

An analysis of other income is as follows:

	Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Bank interest income	12,209	1,570
Others	8,306	6,221
	20,515	7,791

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

9. Finance Costs

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on interest-bearing borrowings	221,654	66,012
Finance costs on obligations under finance leases	201	204
	221,855	66,216

10. Profit Before Tax

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

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation in respect of plant and equipment		
– assets held under finance leases	3,512	3,472
– owned assets	13,805	14,853
	17,317	18,325

11. Income Tax Expense

Hong Kong Profits Tax has been provided at the rate of 16.5% (30 June 2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Under the Law of the PRC on Enterprise Income Tax (the "EIT Law"), the tax rate of the PRC subsidiaries is 25.0% (30 June 2017: 25.0%).

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
– Hong Kong	11,086	15,623
– PRC	19,520	17,496
	30,606	33,119
Overprovision in prior year		
– PRC (Note)	(23,241)	–
	7,365	33,119
Deferred tax	(4,589)	–
Total	2,776	33,119

Note:

The amount represented overprovision of estimated tax on dividend income from subsidiaries in 2017.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

12. Dividends

No dividends were paid, declared or proposed by the Company during the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

13. 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	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share	26,680	63,109

	Six months ended 30 June	
	2018 '000 (Unaudited)	2017 '000 (Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,816,000	1,630,144

No diluted earnings per share were presented as there were no potential ordinary shares in issue for the six months ended 30 June 2018 and 2017.

14. Plant and Equipment

During the six months ended 30 June 2018, the Group acquired approximately HK\$9,749,000 (six months ended 30 June 2017: HK\$26,469,000) of plant and equipment.

Plant and equipment with a net carrying amount of approximately HK\$1,315,000 (six months ended 30 June 2017: HK\$12,075,000) were disposed of by the Group during the six months ended 30 June 2018, resulting in a net gain on disposal of approximately HK\$1,692,000 (six months ended 30 June 2017: HK\$495,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

15. Loan and Debt Instruments

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Loan receivables	1,419,698	2,038,892
Less: Provision for impairment losses	(29,374)	(31,232)
	1,390,324	2,007,660
Unlisted debt instruments	2,177,898	192,182
Less: Provision for impairment losses	(46,882)	(2,883)
	2,131,016	189,299
Analysed for reporting purpose as:		
Current assets	2,635,691	971,257
Non-current assets	885,649	1,225,702
	3,521,340	2,196,959

As 30 June 2018, the effective interest rate on the fixed rate financial assets at amortised cost is ranging from 6.15% to 12.21% per annum (31 December 2017: from 6.87% to 15.00% per annum).

Movements of provision for impairment losses are as follows:

	30 June 2018 HK\$'000
As at 1 January 2017 (Audited)	–
Provision for impairment losses	33,564
Exchange difference arising on translation of foreign operations	551
As at 31 December 2017 (Audited)	34,115
Additional ECL allowance on adoption of HKFRS 9	86,581
Exchange difference arising on translation of foreign operations	307
At 1 January 2018	121,003
Net reversal of impairment losses during the period	(44,796)
Exchange difference arising on translation of foreign operations	49
As at 30 June 2018 (Unaudited)	76,256

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For the six months ended 30 June 2018

16. Financial Investments

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Financial asset at FVTOCI		
Non-current		
– Unlisted equity security	650	N/A
AFS		
Current		
– Listed debt instruments	N/A	523,387
– Unlisted debt instruments	N/A	1,869,990
	N/A	2,393,377
Non-current		
– Unlisted funds	N/A	1,038,774
– Unlisted debt instruments	N/A	534,507
– Unlisted equity security	N/A	650
– Unlisted asset management plan	N/A	346,927
	N/A	1,920,858
Financial assets designated at FVTPL		
Non-current		
– Unlisted fund investments (Note(i))	N/A	251,929
Current		
– Unlisted fund investments (Note (i))	N/A	500,280
– Unlisted convertible bonds (Note (ii))	N/A	639,441
	N/A	1,139,721
Held-for-trading investments		
Current assets		
– Listed equity securities listed in Hong Kong and Australia	N/A	467,919
– Listed debt instruments (Note (iv))	N/A	1,364,907
– Unlisted warrant	N/A	713
– Unlisted put options on equity securities (Note (iii))	N/A	129,477
	N/A	1,963,016
Current liability		
– Unlisted foreign exchange forward contracts	N/A	(17,384)
Financial assets at FVTPL		
Non-current		
– Unlisted asset management plan	344,159	N/A
– Unlisted fund investments (Note (i))	1,595,464	N/A
	1,939,623	N/A

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For the six months ended 30 June 2018

16. Financial Investments (continued)

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Financial assets at FVTPL (continued)		
Current		
– Listed equity securities listed in Hong Kong and Australia	377,585	N/A
– Listed debt instruments (Note (iv))	1,712,277	N/A
– Unlisted warrant	713	N/A
– Unlisted put options on equity securities (Note (iii))	141,912	N/A
– Unlisted fund investments (Note (i))	216,263	N/A
– Unlisted equity security	35,583	N/A
– Unlisted convertible bonds (Note (ii))	563,794	N/A
– Unlisted foreign exchange forward contracts	1,168	N/A
	3,049,295	N/A
Financial liability at FVTPL		
Current		
– Unlisted foreign exchange forward contracts	(8,392)	N/A
Analysed for reporting purposes as:		
Current assets	3,049,295	5,496,114
Non-current assets	1,940,273	2,172,787
	4,989,568	7,668,901
Current liabilities	(8,392)	(17,384)

Notes:

- (i) The unlisted fund investments represent investments in different private equity funds.
- (ii) The fair value of the convertible bonds were determined by independent valuers not connected to the Group.
- (iii) The fair value of the put options on equity securities were determined by independent valuers not connected to the Group.
- (iv) As at 30 June 2018, the listed debt instruments of HKD1,280,563,000 have been pledged as security for the borrowing (31 December 2017: HKD1,364,907,000).

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17. Finance Lease Receivables

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Analysed for reporting purposes as:		
Current assets	472,367	473,671
Non-current assets	1,284,123	1,447,928
	1,756,490	1,921,599

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Finance lease receivables comprise:				
Within one year	617,178	615,427	497,785	481,140
After one year but within two years	543,369	522,941	451,608	422,550
After two years but within five years	985,979	1,152,473	901,612	1,033,926
After five years	–	14,683	–	14,283
	2,146,526	2,305,524	1,851,005	1,951,899
Less: Unearned finance income	(295,521)	(353,625)		
	1,851,005	1,951,899		
Less: Allowance for impairment losses	(94,515)	(30,300)		
Present value of lease receivables	1,756,490	1,921,599		

Effective interest rate of the above finance leases ranges from 5.92% to 10.23% per annum (31 December 2017: 5.90% to 10.23% per annum).

As at 30 June 2018, the gross carrying amount of the finance lease receivables which have been pledged as security for the borrowing, is RMB378,880,000 (equivalent to HK\$449,390,000) (31 December 2017: RMB41,414,000 (equivalent to HK\$49,544,000)).

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For the six months ended 30 June 2018

17. Finance Lease Receivables (continued)

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

	HK\$'000
As at 1 January 2017 (Audited)	–
Provision for impairment losses	29,278
Exchange difference arising on translation of foreign operations	1,022
As at 31 December 2017 (Audited)	30,300
Additional ECL allowance on adoption of HKFRS 9	68,279
Exchange difference arising on translation of foreign operation	2,383
As at 1 January 2018	100,962
Net reversal of impairment losses for the period	(5,778)
Exchange difference arising on translation of foreign operations	(669)
As at 30 June 2018 (Unaudited)	94,515

18. Contract Assets

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Analysed for reporting purposes as:		
Unbilled revenue	66,986	N/A
Retention receivables	71,173	N/A
Less: Provision for impairment losses	(24,582)	N/A
	113,577	N/A

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

	HK\$'000
As at the 31 December 2017 (Audited)	N/A
Reclassification on adoption of HKFRS 9	15,000
Additional ECL allowance on adoption of HKFRS 9	14,362
As at 1 January 2018	29,362
Net reversal of impairment losses during the period	(4,780)
As at 30 June 2018 (Unaudited)	24,582

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19. Trade and Other Receivables

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

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Trade receivables (Note (i))	137,240	82,657
Deposits, prepayments and other receivables	220,146	64,600
Retention receivables	N/A	60,540
	357,386	207,797
Less: Provision for impairment losses on trade and other receivables (Note (ii))	(326)	(15,000)
Trade and other receivables	357,060	192,797

Notes:

- (i) Trade receivables are normally due within 30 days (2017: within 30 days) from the date of billing. The following is an aging analysis of trade receivables, presented based on the invoice date at the end of the reporting period:

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Within 1 month	137,052	81,572
1 to 3 months	188	1,085
Over 3 months	—	—
	137,240	82,657

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

	HK\$'000
As at 1 January 2017 (Audited)	—
Provision for impairment losses	15,000
As at the 31 December 2017 (Audited)	15,000
Reclassification on adoption of HKFRS 15	(15,000)
Additional ECL allowance on adoption of HKFRS 9	246
As at 1 January 2018	246
Provision for impairment losses during the period	80
As at 30 June 2018 (Unaudited)	326

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20. Trade and Other Payables

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

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Trade payables from foundation and substructure construction services (Note)	117,164	88,094
Retention money payables	50,062	32,940
Other payables, accruals and others	88,452	134,351
	255,678	255,385

Note:

The following is an aging analysis of trade payables presented based on the invoice date at the end of the reporting period:

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Within 1 month	59,113	23,177
1 to 3 months	16,807	23,305
3 to 6 months	5,037	1,577
Over 6 months	36,207	40,035
	117,164	88,094

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21. Obligations under Finance Leases

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Analysed for reporting purposes as:		
Current liabilities	5,704	7,692
Non-current liabilities	5,747	5,637
	11,451	13,329

It is the Group's policy to lease certain of its machineries and motor vehicles under finance leases. As at 30 June 2018, the average lease term is 3 years (31 December 2017: 3 years). As at 30 June 2018, interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 2.60% to 4.80% per annum (31 December 2017: 2.60% to 4.80% per annum).

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Analysed for reporting purposes as:				
Within one year	5,926	7,965	5,704	7,692
Within a period of more than one year but not more than two years	3,738	2,906	3,632	2,795
Within a period of more than two years but not more than five years	2,138	2,890	2,115	2,842
	11,802	13,761	11,451	13,329
Less: Future finance charges	(351)	(432)	N/A	N/A
Present value of lease obligations	11,451	13,329	11,451	13,329
Less: Amount due for settlement within twelve months (shown under current liabilities)			(5,704)	(7,692)
Amount due for settlement after twelve months			5,747	5,637

All finance lease obligations are denominated in Hong Kong dollars.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

As at 30 June 2018, finance leases of approximately HK\$925,000 (31 December 2017: HK\$2,681,000) were secured by the corporate guarantee issued by the Company.

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22. Interest-bearing Borrowings

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Bank overdrafts	624,813	655,403
Bank loans	6,294,878	7,177,873
	6,919,691	7,833,276
Other loans	3,289,457	3,213,304
	10,209,148	11,046,580
Secured	2,197,805	2,300,353
Unsecured	8,011,343	8,746,227
	10,209,148	11,046,580

The carrying amounts of the above borrowings are repayable*:

On demand or within one year	7,622,962	8,102,639
Within a period of more than one year but not exceeding two years	20,887	689,773
Within a period of more than two years but not exceeding five years	1,720,520	1,412,733
Within a period of more than five years	844,779	841,435
	10,209,148	11,046,580
Less: Amounts due within one year shown under current liabilities	(7,622,962)	(8,102,639)
Amounts due from settlement after 12 months and shown under non-current liabilities	2,586,186	2,943,941

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

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For the six months ended 30 June 2018

22. Interest-bearing Borrowings (continued)

The secured borrowings as at 30 June 2018 consist of (a) bank loans of RMB680,000,000 (equivalent to approximately HK\$806,547,000) (31 December 2017: RMB680,000,000 (equivalent to approximately HK\$813,485,000)) secured by the Group's pledged bank deposit of approximately USD122,000,000 (equivalent to approximately HK\$957,449,000) (31 December 2017: USD122,000,000 (equivalent to approximately HK\$953,658,000)); (b) bank loan of RMB315,360,000 (equivalent to approximately HK\$374,048,000) (31 December 2017: RMB41,610,000 (equivalent to approximately HK\$49,778,000)) secured by finance lease receivables; (c) bank loan of USD50,000,000 (equivalent to approximately HK\$392,397,000) (31 December 2017: USD100,000,000 (equivalent to approximately HK\$781,687,000)) secured by debt investment of which the carrying amount is USD61,677,000 (equivalent to approximately HK\$484,038,000) (31 December 2017: USD112,300,000 (equivalent to approximately HK\$877,835,000)); and (d) bank overdrafts of approximately HK\$624,813,000 (31 December 2017: HK\$655,403,000) secured by debt investments with carrying amounts of approximately HK\$1,280,563,000 (31 December 2017: approximately HK\$1,364,907,000).

The Group has other loans from (a) its immediate holding company, Right Select International Limited ("**Right Select**") amounting to USD300,000,000 (approximately HK\$2,354,383,000) (31 December 2017: its intermediate holding company, China Huarong International Holdings Limited ("**CHIH**"), amounting to USD300,000,000 (approximately HK\$2,345,061,000)); (b) an Executive Director of the Company, Mr. Kwan Wai Ming ("**Mr. Kwan**"), amounting to HK\$27,500,000 (31 December 2017: HK\$22,500,000); (c) a Director of a subsidiary of the Company, Mr. Leung Kam Chuen ("**Mr. Leung**"), amounting to HK\$32,500,000 (31 December 2017: HK\$27,500,000); (d) a related company, Acute Peak Investments Limited ("**Acute Peak**"), which is 50% owned by Mr. Leung and 50% owned by Mr. Kwan, amounting to HK\$250,000,000 (31 December 2017: HK\$250,000,000); and (e) a fellow subsidiary of the Company, amounting to RMB340,000,000 (approximately HK\$403,274,000) (31 December 2017: RMB340,000,000 (approximately HK\$406,742,000)) and RMB187,000,000 (approximately HK\$221,800,000) (31 December 2017: RMB135,000,000 (approximately HK\$161,501,000)). All of the above other loans are unsecured and for the expansion of the Group's business purpose.

As at 30 June 2018, the Group's borrowings bear fixed interest rates ranging from 1.00% to 6.50% per annum (31 December 2017: 3.00% to 6.50% per annum), and variable interest rates ranging from 2.83% to 4.91% per annum (31 December 2017: 2.34% to 3.83% per annum).

23. Share Capital

	Number of shares '000	Total value HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised		
At 31 December 2017 and 30 June 2018	20,000,000	20,000
Issued and fully paid:		
At 1 January 2017	1,236,000	12,360
Issue of new shares upon placing (Note)	580,000	5,800
At 31 December 2017 and 30 June 2018	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.

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24. 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 (resigned from 31 October 2017)
Fortune Famous Engineering (Transportation) Company Limited (“ Fortune Famous ”)	Common directorship of Mr. Kwan
Hongkong Gold Gate Enterprise Limited (“ HKGG ”)	Common directorship of Mr. Kwan
Group Team Limited	50% and 50% owned by Mr. Leung and Mr. Kwan respectively
Acute Peak	50% and 50% owned by Mr. Leung and Mr. Kwan respectively
CHIH	Intermediate holding company
Right Select	Immediate holding company
華融晟遠(江西)企業管理有限公司 (“ 華融晟遠(江西) ”)	Fellow subsidiary
Blossom Direction Limited (“ Blossom Direction ”)	Fellow subsidiary

The Group is indirectly controlled by China Huarong, which is directly controlled by the PRC government through the Ministry of Finance (the “**MOF**”). MOF is the major shareholder of China Huarong as at 30 June 2018. For the current period, the Group has undertaken transactions with certain entities directly or indirectly owned by the PRC government, including but not limited to receiving loan facilities. The Group is of opinion that these transactions are in normal business terms that do not require separate disclosure.

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24. Related Party Transactions (continued)

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

	Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Management fee income received from		
– Right Select	1,400	–
Expense paid on behalf of		
– Executive Directors	–	256
Recharge of office rent, rates and management fee by		
– Group Team Limited	(1,636)	(1,441)
Operating lease payments of motor vehicles to		
– Fortune Famous	(118)	(270)
– HKGG	(234)	(234)
Interest expense paid/payable to:		
– CHIH	(22,426)	(56,131)
– Mr. Leung	(427)	(480)
– Mr. Kwan	(352)	(392)
– Acute Peak	(1,240)	(3,719)
– 華融晟遠 (江西)	(21,243)	–
– Right Select	(33,950)	–
Profit attributable to the holder of the perpetual capital instrument		
– Blossom Direction	31,805	–

(c) On 7 September 2017, Right Select and the Company entered into a revolving facility agreement, pursuant to which Right Select and its subsidiaries (excluding the Group) agreed to grant the Group a revolving facility in an aggregate principal amount up to USD1,000,000,000 (or its equivalent amounts in HKD or RMB).

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25. Fair Value and Fair Value Hierarchy of Investments

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).



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

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

An analysis of the Group's investments measured at fair value as at 30 June 2018 and 31 December 2017 are as follows:

	Fair value as at 30 June 2018 HK\$'000	Fair value as at 31 December 2017 HK\$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Increase (decrease) in fair value of financial instruments by reasonable changes in significant inputs
Financial assets						
1) Financial investments classified as financial assets at FVTPL	Listed equity securities: 377,585	N/A	Level 1	Note (i)	N/A	N/A
2) Financial investments classified as financial assets at FVTPL	Listed debt instruments: 1,712,277	N/A	Level 1	Note (i)	N/A	N/A
3) Financial investments classified as financial assets at FVTPL	Unlisted put options: 141,912	N/A	Level 3	Note (v)	Volatility: Ranging from 37.89% to 66.07% (31 December 2017: N/A)	5% increase/decrease in volatility: HK\$906,000/ HK\$(855,000) (31 December 2017: N/A)
4) Financial investments classified as financial assets at FVTPL	Unlisted warrant: 713	N/A	Level 3	Note (v)	Volatility: 45.26% (31 December 2017: N/A)	5% increase/decrease in volatility: HK\$87,000/ HK\$(84,000) (31 December 2017: N/A)
5) Financial investments classified as financial assets at FVTPL	Unlisted foreign exchange forward contracts: 1,168	N/A	Level 2	Note (vii)	N/A	N/A
6) Financial investments classified as financial assets at FVTPL	Unlisted convertible bonds: 563,794	N/A	Level 3	Note (iii) and (v)	Volatility: Ranging from 39.54% to 66.65% (31 December 2017: N/A)	5% increase/decrease in volatility: HK\$386,000/ HK\$(307,000) (31 December 2017: N/A)
					Discount rate: Ranging from 10.81% to 12.61% (31 December 2017: N/A)	5% increase/decrease in discount rate: HK\$(3,342,000)/ HK\$3,387,000 (31 December 2017: N/A)

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

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

An analysis of the Group's investments that are measured at fair value as at 30 June 2018 and 31 December 2017 are as follows: (continued)

	Fair value as at 30 June 2018 HK\$'000	Fair value as at 31 December 2017 HK\$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Increase (decrease) in fair value of financial instruments by reasonable changes in significant inputs
Financial assets (continued)						
7) Financial investments classified as financial assets at FVTPL	Unlisted asset management plan: 344,159	N/A	Level 2	Note (vii)	N/A	N/A
8) Financial investments classified as financial assets at FVTPL	Unlisted fund investments: 94,887	N/A	Level 2	Note (ii)	N/A	N/A
9) Financial investments classified as financial assets at FVTPL	Unlisted fund investments: 1,716,840	N/A	Level 3	Note (iv)	Net asset value	5% increase/decrease in net asset value: HK\$85,842,000/ HK\$(85,842,000) (31 December 2017: N/A)
10) Financial investments classified as financial assets at FVTPL	Unlisted equity securities: 35,583	N/A	Level 2	Note (vi)	N/A	N/A
11) Financial investment classified as financial asset at FVTOCI	Unlisted equity security: 650	N/A	Level 3	Note (viii)	Net asset value	5% increase/decrease in net asset value: HK\$32,500/ HK\$(32,500) (31 December 2017: N/A)
12) Financial investments classified as held for trading investments	N/A	Listed equity securities: 467,919	Level 1	Note (i)	N/A	N/A
13) Financial investments classified as held for trading investments	N/A	Listed debt instruments: 1,364,907	Level 1	Note (i)	N/A	N/A

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

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

An analysis of the Group's investments that are measured at fair value as at 30 June 2018 and 31 December 2017 are as follows: (continued)

	Fair value as at 30 June 2018 HK\$'000	Fair value as at 31 December 2017 HK\$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Increase (decrease) in fair value of financial instruments by reasonable changes in significant inputs
Financial assets (continued)						
14) Financial investments classified as held for trading investments	N/A	Unlisted put options: 129,477	Level 3	Note (v)	N/A (31 December 2017: Volatility ranging from 39.73% to 56.50%)	N/A (31 December 2017: 5% increase/decrease in volatility: HK\$500,000/ HK\$(477,000))
15) Financial investments classified as held for trading investments	N/A	Unlisted warrant investment: 713	Level 3	Note (v)	N/A (31 December 2017: Volatility: 45.26%)	N/A (31 December 2017: 5% increase/decrease in volatility: HK\$87,000/ HK\$(84,000))
16) Financial investments designated at FVTPL	N/A	Unlisted fund investments: 95,704	Level 2	Note (ii)	N/A	N/A
17) Financial investments designated at FVTPL	N/A	Unlisted convertible bond: 639,441	Level 3	Note (iii) and (v)	N/A (31 December 2017: Volatility ranging from 25% to 45.72%) N/A (31 December 2017: Discount rate ranging from 9.65% to 22.75%)	N/A (31 December 2017: 5% increase/decrease in volatility: HK\$1,876,000/ HK\$(1,729,000)) N/A (31 December 2017: 5% increase/decrease in discount rate: HK\$(2,355,000)/ HK\$2,406,000)
18) Financial investments designated at FVTPL	N/A	Unlisted fund investments: 656,505	Level 3	Note (iv)	N/A (31 December 2017: Net asset value)	N/A (31 December 2017: 5% increase/decrease in net asset value: HK\$32,825,000/ HK\$(32,825,000))
19) Financial investments classified as available-for-sale investments	N/A	Listed debt investments: 523,387	Level 1	Note (i)	N/A	N/A
20) Financial investments classified as available-for-sale investments	N/A	Unlisted debt investments: 2,404,497	Level 3	Note (iii)	N/A (31 December 2017: Discount rate)	N/A (31 December 2017: 5% increase/decrease in discount rate: HK\$(14,655,000)/ HK\$14,844,000)

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

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

An analysis of the Group's investments that are measured at fair value on a as at 30 June 2018 and 31 December 2017 are as follows (continued)

	Fair value as at 30 June 2018 HK\$'000	Fair value as at 31 December 2017 HK\$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Increase (decrease) in fair value of financial instruments by reasonable changes in significant inputs
Financial assets (continued)						
21) Financial investments classified as available-for-sale investments	N/A	Unlisted equity security: 650	Level 2	Note (vi)	N/A	N/A
22) Financial investments classified as available-for-sale investments	N/A	Unlisted asset management plan: 346,927	Level 2	Note (vi)	N/A	N/A
23) Financial investments classified as available-for-sale investments	N/A	Unlisted fund investments: 1,038,774	Level 3	Note (iv)	N/A (31 December 2017: Net asset value)	N/A (31 December 2017: 5% increase/decrease in net asset value: HK\$51,939,000/ HK\$(51,939,000))
Financial liabilities						
24) Financial liabilities classified as financial assets at FVTPL	Foreign exchange forward contracts: (8,392)	N/A	Level 2	Note (vii)	N/A	N/A
25) Financial liabilities classified as held for trading investments	N/A	Foreign exchange forward contracts: (17,384)	Level 2	Note (vii)	N/A	N/A

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For the six months ended 30 June 2018

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

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

An analysis of the Group's investments that are measured at fair value on a as at 30 June 2018 and 31 December 2017 are as follows (continued)

Notes:

- (i) Quoted bid price in an active market.
- (ii) Net asset value of the funds calculated based on the quoted price of underlying investments.
- (iii) Discounted cash flow with future cash flows that are estimated based on the host contractual terms discounted at a rate that reflects the credit risk of the counterparty.
- (iv) Net asset value of the funds calculated based on the fair value of underlying investments.
- (v) 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.
- (vi) Recent transaction price.
- (vii) Broker quotation.
- (viii) Net asset value of the unlisted company calculated based on the fair value of underlying investment.

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.



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For the six months ended 30 June 2018

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

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

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Financial assets designated at FVTPL		
At the beginning of the period (Audited)	1,295,946	128,027
Reclassified to financial assets at FVTPL on adoption of HKFRS 9	(1,295,946)	–
Fair value gain recognised in profit or losses	N/A	(9,625)
At the end of the period (Unaudited)	N/A	118,402
Held for trading investments		
At the beginning of the period (Audited)	130,190	26,822
Reclassified to financial assets at FVTPL on adoption of HKFRS 9	(130,190)	–
Net fair value gain recognised in profit or losses	N/A	56,589
At the end of the period (Unaudited)	N/A	83,411
Financial asset at FVTOCI		
At the beginning of the period	–	N/A
Transfer in (Note)	650	N/A
At the end of the period (Unaudited)	650	N/A
AFS		
At the beginning of the period (Audited)	3,443,271	–
Reclassified to financial assets at FVTPL on adoption of HKFRS 9	(1,038,774)	–
Reclassified to loan and debt instruments on adoption of HKFRS 9	(2,404,497)	–
At the end of the period (Unaudited)	N/A	–

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

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

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Financial assets at FVTPL		
At the beginning of the period	—	N/A
Reclassified from held for trading investments on adoption of HKFRS 9	130,190	N/A
Reclassified from financial assets designated at FVTPL on adoption of HKFRS 9	1,295,946	N/A
Reclassified from AFS investments on adoption of HKFRS 9	1,038,774	N/A
Purchases during the period	145,695	N/A
Disposals during the period	(147,229)	N/A
Net fair value loss recognised in profit or loss	(40,117)	N/A
At the end of the period (Unaudited)	2,423,259	N/A

Note:

The financial asset at FVTOCI was transferred from level 2 into level 3 as there is no recent transaction price during the period.

The total gains or losses for the period included an unrealised loss of HK\$40,117,000 relating to level 3 financial assets that are measured at fair value as at 30 June 2018 (30 June 2017: a gain of HK\$46,964,000). Such fair value gains or losses are included in "Net unrealised (loss) gain on financial assets at fair value through profit or loss".

Glossary

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

Glossary

“Independent Non-executive Director(s)”	the independent non-executive Director(s)
“Interim Report”	the interim report of the Company for the Reporting Period
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Nomination Committee”	the nomination committee of the Company
“Non-executive Director(s)”	the non-executive Director(s)
“PRC”	the People’s Republic of China which, for the purposes of this Interim Report, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Remuneration Committee”	the remuneration committee of the Company
“Reporting Period”	the six months ended 30 June 2018
“Right Select”	Right Select International Limited, a company incorporated in the British Virgin Islands with limited liability and holding approximately 50.99% equity interest of the Company
“Risk Management Committee”	the risk management committee of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of the Company with par value of HK\$0.01 each
“Shareholder(s)”	Holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme adopted by the Company on 8 December 2014
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs
“US\$” or “US Dollars”	United States dollars, the lawful currency of the United States of America
“%”	per cent