



華融國際金融控股有限公司

HUARONG INTERNATIONAL FINANCIAL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability) (於百慕達註冊成立之有限公司)
(Stock Code 股份代號: 993)



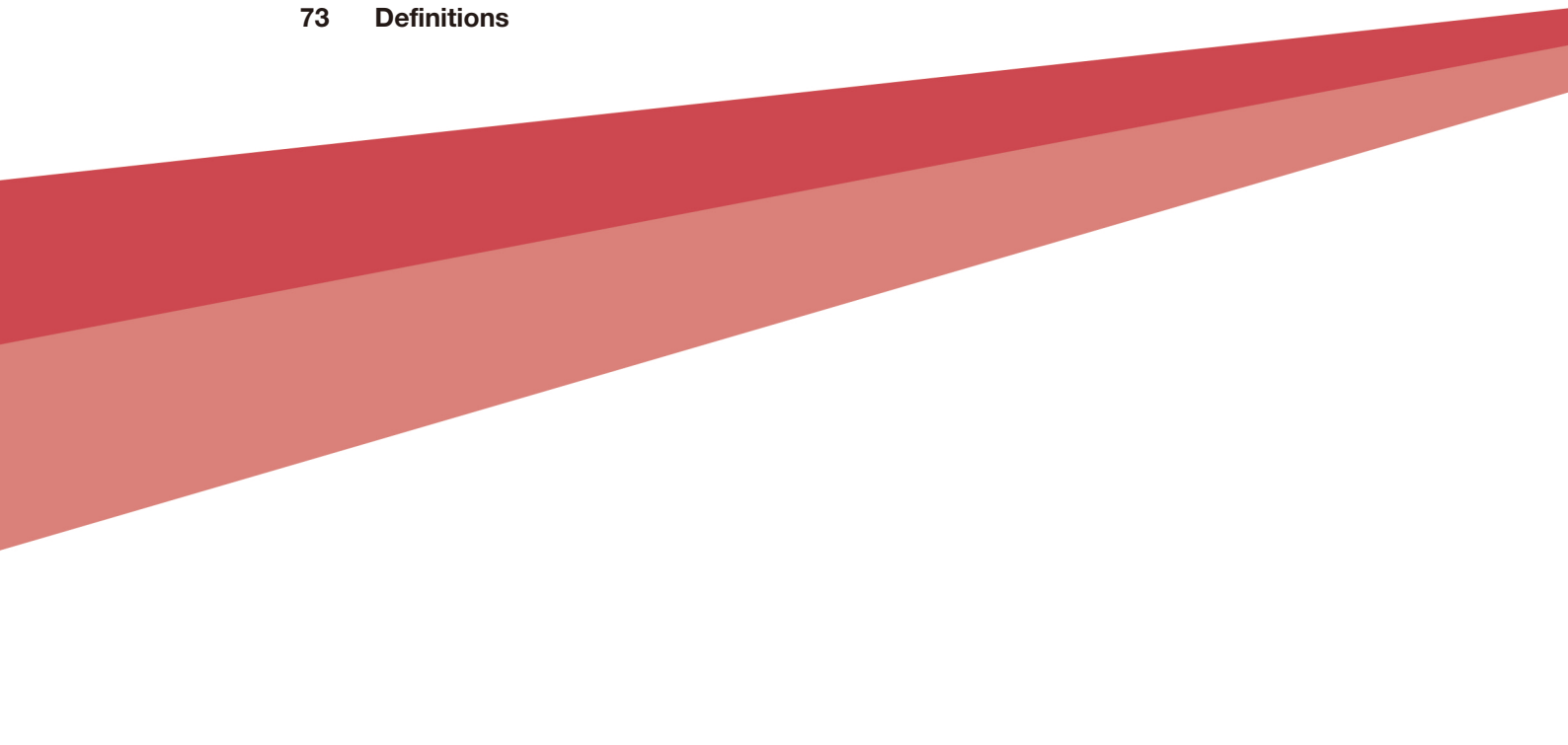
2019

Interim Report

中期報告

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Yu Meng (*Chairman*)
Mr. Xu Yong (*Chief Executive Officer*)

Independent Non-executive Directors

Dr. Wong Tin Yau Kelvin
Mr. Ma Lishan
Mr. Guan Huanfei

Audit Committee

Dr. Wong Tin Yau Kelvin (*Chairman*)
Mr. Ma Lishan
Mr. Guan Huanfei

Remuneration Committee

Mr. Guan Huanfei (*Chairman*)
Dr. Wong Tin Yau Kelvin
Mr. Ma Lishan

Nomination Committee

Dr. Wong Tin Yau Kelvin (*Chairman*)
Mr. Yu Meng
Mr. Ma Lishan
Mr. Guan Huanfei

Executive Committee

Mr. Yu Meng (*Chairman*)
Mr. Xu Yong

Risk Management Committee

Mr. Ma Lishan (*Chairman*)
Mr. Yu Meng
Mr. Xu Yong

Authorised Representatives

Mr. Xu Yong
Ms. Luo Xiao Jing

Company Secretary

Ms. Luo Xiao Jing

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

Level 29
One Pacific Place
88 Queensway
Hong Kong

Resident Representative

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Bankers

China CITIC Bank International Limited
Bank of Communications (Hong Kong) Limited
Shanghai Pudong Development Bank Co., Ltd.
Hong Kong Branch
Bank of China (Hong Kong) Limited

Auditor

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

Hong Kong Legal Adviser

King & Wood Mallesons
13/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Central, Hong Kong

Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited
4th floor North
Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Stock Code

993

Website

www.hrif.com.hk

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

For the Period, the Group recorded a revenue of approximately HK\$954,154,000 (Last Period: approximately HK\$1,107,670,000), net gains on financial assets at fair value through profit or loss of approximately HK\$378,252,000 (Last Period: net losses of approximately HK\$819,919,000), net loss arising from disposal of financial assets at fair value through other comprehensive income of approximately HK\$9,667,000 (Last Period: loss of approximately HK\$30,129,000). Therefore, total revenue, investment gains and losses described above increased to approximately HK\$1,322,739,000 (Last Period: approximately HK\$257,622,000). Net losses for the Period were approximately HK\$230,752,000 (Last Period: loss of approximately HK\$1,123,250,000), while loss attributable to the Shareholders for the Period was approximately HK\$263,806,000 (Last Period: loss of approximately HK\$1,156,342,000). The decrease in loss attributable to Shareholders for the Period was principally due to an increase in net gains on financial assets at fair value through profit or loss.

Basic loss per Share was HK7.35 cents for the Period as compared to basic loss per Share of HK32.22 cents for the Last Period, and no diluted loss per Share has been presented for the Period and Last Period as there was no diluted financial instrument for the Period and the Last Period.

Market Review

In the first half of 2019, increasing uncertainties emerged due to global economic tension and rising downside pressure on the economy. The global economic development faced great hindrance with escalating trade disagreements, tensed geopolitical relations, financial pressure and volatility risks. Confronting complex and severe domestic and overseas situations coupled with downside pressure, China's economy sustained steady development with positive trend in general owing to the consistent optimisation of China's economic structure under the supply-side reforms. In the first half of 2019, the GDP of China increased by 6.3% year-on-year, with national economic growth maintained at a reasonable range, thus achieving steady and healthy growth.

Business Review

In the first half of 2019, in response to the complex and fast-changing economic environment, the Group maintained stable development with an upward trend by taking up favourable opportunities in the market and initiating various measures with a focus on its principal activities. The Group sought enhancement in business structure, maintained assets liquidity, strengthened risk control, rebuilt corporate culture and stabilised business teams, as a result, the Group promoted various operations and management progressively.

Asset Management and Direct Investment

The asset management and direct investment segment provides asset management services, direct investments in stocks, bonds, funds, derivative instruments and other financial products, as well as money lending services. During the first half of 2019, the Group has adopted a more cautious approach to review various risks in response to the current economic environment proactively, and strengthened various risk management and control measures such as that for market risks and credit risks. The operation of counterparties and the value of collaterals have been reviewed by the Group on a continuous basis and responded with the formulation of corresponding risk prevention measures and enhancement of the post-investment management. For the Period, the segment revenue and investment gains was approximately HK\$1,043,898,000 as compared to a segment revenue and investment losses of approximately HK\$56,798,000 for the Last Period. The increase in investment gains was mainly due to an increase in net gains on financial assets at fair value through profit or loss for the Period to approximately HK\$378,252,000, which was a net loss of approximately HK\$819,919,000 for the Last Period. The segment result was profit of approximately HK\$1,016,788,000 as compared to a loss of approximately HK\$205,681,000 for the Last Period.

Securities

The Group consistently supports its brokerage and securities business by adjusting and optimising the quality and efficiency of customer service, improving the product platform, establishing a quantitative trading pipeline, improving the existing operating mechanism, and procuring business development. As such, the trading volume of securities and market shares of the brokerage business have further increased during the Period. However, the provision for securities business increased due to the fluctuation in securities market. For the Period, the revenue and other gains from the securities segment was approximately HK\$222,744,000, as compared to approximately HK\$245,716,000 for the Last Period. The segment result amounted to a loss of approximately HK\$462,370,000, as compared to profit of approximately HK\$62,511,000 for the Last Period.

Corporate Finance

The corporate finance segment is devoted to providing institutional clients with comprehensive securities issuance and underwriting and financing advisory services. In the first half of 2019, the Group explored business opportunities for market expansion proactively so as to promote steady business development. For the Period, revenue from the corporate finance segment amounted to approximately HK\$13,261,000 as compared to approximately HK\$5,001,000 for the Last Period. The segment result was a profit of approximately HK\$4,706,000, as compared to a loss of approximately HK\$1,274,000 for the Last Period.

Prospects

In the second half of 2019, it is expected that the global political and economic environment will remain complicated, volatile and uncertain, global economic growth will continue to slow down and the challenges faced by China's economy will sustain. China will continue to defend itself from various downside risks, seeking stable economic development with economic growth maintained within a reasonable range. With positive fiscal policies, reasonably flexible monetary policies, further advancement of supply-side reforms, optimisation of business environment and others, the market will be further energised and the situation of the financial industry will be further stabilised. The Group will continue to pay close attention to global political and economic changes as well as industry developments. In adherence to its development philosophy of "investment + investment banking", the Group will conduct business operations in a healthy approach by capitalising on opportunities of business transformation and upgrade and giving full play to the advantages and the synergic effect enabled by the multiple licenses it holds. Meanwhile, the Group will make incessant efforts to adjust and optimise its business structure in addition to proactive exploration of business innovations. The Group aims to establish a sustainable operation model, striving to create greater value for the Shareholders.

Financial Review

Capital Structure

As at 30 June 2019, the total number of issued Shares of the Company (with the par value of HK\$0.001 each) was 3,588,466,011 and the total equity attributable to Shareholders was approximately HK\$2,019,962,000 as compared to approximately HK\$2,070,447,000 as at 31 December 2018, representing a decrease of approximately 2.4%.

The Group's gearing ratio as at 30 June 2019 was 961.8% (31 December 2018: 1,230.6%), being calculated as borrowings over the Group's Shareholders' equity. The decrease in gearing ratio was mainly due to the repayment of interest-bearing loans by the Company during the Period.

Liquidity and Financial Resources

The Group reviewed the liquidity position regularly and managed liquidity position and financial resources actively according to the changes on economic environment and business development needs. As at 30 June 2019, the Group had total cash and cash equivalents amounting to approximately HK\$3,422,649,000 as compared to approximately HK\$2,401,797,000 as at 31 December 2018, excluding client funds that were kept in separate designated bank accounts amounting to approximately HK\$384,978,000 (31 December 2018: approximately HK\$396,500,000).

The Group's stable development is underpinned by the continuous support from its controlling shareholders. As at 30 June 2019, the Group obtained Shareholder loans in an aggregate principal amount of approximately US\$1,825,958,000 (equivalent to approximately HK\$14,270,187,000) (31 December 2018: US\$2,763,331,000) from CHIH and RMB1,595,000,000 (equivalent to approximately HK\$1,813,200,000) (31 December 2018: RMB1,569,000,000) from China Huarong respectively, to support the business of the Group.

Meanwhile, the Group has maintained good business relationships with various financial institutions. As at 30 June 2019, the Group had undrawn bank facilities of approximately HK\$4,073,775,000 (31 December 2018: HK\$2,845,975,000) and withdrawn outstanding bank borrowings of approximately HK\$3,344,563,000 (31 December 2018: HK\$2,042,304,000).

As at 30 June 2019, the Group had no bank borrowings that violate financial conditions or cross-default clauses.

For the subsidiaries licensed by the Securities and Futures Commission of Hong Kong, the Group ensures each of the subsidiaries maintains a liquidity level adequate to support the level of activities with a sufficient buffer to accommodate increases in liquidity requirements arising from potential increases in the level of business activities. During the Period, all the licensed subsidiaries have complied with the liquidity requirements under the Securities and Futures (Financial Resources) Rules.

Charges on Group Assets

As at 30 June 2019, the Group did not pledge any time deposits (31 December 2018: nil) to secure the bank loan facilities of the Group.

Foreign Exchange Exposures

The Group's principal operations in Hong Kong and overseas are transacted and recorded in Hong Kong dollars and United States dollars, while principal operations in the PRC are transacted and recorded in Renminbi. The Group is not exposed to material foreign exchange risks because Hong Kong dollars are pegged to United States dollars, and the revenue from the PRC operations only represents a small fraction of the Group's overall revenue. Other foreign currency exposure is relatively minimal to our total assets and liabilities. As a result, we consider that our foreign exchange risk exposure is manageable and the Group will closely monitor the risk exposure from time to time.

Contingent Liabilities

Regarding the alleged claims against HISL, an indirectly wholly owned subsidiary of the Company, that was previously disclosed in the audited financial statements of the Group for the period from 1 May 2015 to 31 December 2015, the plaintiff has not taken any further action since August 2013 and there was no substantial progress as at 30 June 2019. The Group has sought legal advice on the alleged claims and the Directors consider that HISL has good defence and a strong case to pursue its counterclaim against the plaintiff. The Directors consider that it is not probable that there would be any significant financial impact on the Group arising from these alleged claims.

Significant Securities Investment

The Group is primarily engaged in the provision of financial services, including but not limited to asset management and direct investment, securities and corporate finance services. During the Period, the Group held securities investments such as listed preference shares, listed equity investments, listed bonds, unlisted convertible bonds and convertible notes and unlisted fund investments, etc. The major significant investments which constitute 5% or more of the total assets of the Group as at 31 December 2018 comprised of three unlisted fund (“**Relevant Funds**”) investments held by the Group with an aggregate carrying amount of approximately HK\$2,340 million. The Group has fully redeemed its investments in the Relevant Funds during the Period. As at 30 June 2019, the Group did not hold any significant investments which constitute 5% or more of the total assets. The details of the financial assets of the Group during the Period are also set out in notes 12 and 13 to the financial statements contained in this interim report.

Interim Dividend

The Board does not recommend the payment of any interim dividend for the Period (30 June 2018: nil).

Employee and Remuneration Policy

As at 30 June 2019, the Group employed a total of 83 employees (31 December 2018: 96 employees). The Group’s staff recruitment and promotion are primarily based on individuals’ merits, relevant experiences, development potentials for the positions offered and performance. Staff remuneration and benefit policies, which are formulated by reference to the market situation, are competitive and performance based.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF
HUARONG INTERNATIONAL FINANCIAL HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Huarong International Financial Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 10 to 65, which comprise the condensed consolidated statement of financial position as of 30 June 2019 and the related condensed consolidated statement of profit or loss, 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

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

Conclusion

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

26 August 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

	NOTES	Six months ended	
		30 June 2019 HK\$'000 (Unaudited)	30 June 2018 HK\$'000 (Unaudited)
Revenue			
Commission and fee income	5	74,283	88,277
Interest income	5	767,546	841,685
Investment income	5	112,325	177,708
		954,154	1,107,670
Net gains (losses) on financial assets at fair value through profit or loss		378,252	(819,919)
Net loss arising from disposal of financial assets at fair value through other comprehensive income		(9,667)	(30,129)
Other income and gains or losses, net	6	(27,034)	(107,829)
Brokerage and commission expenses		(4,614)	(9,244)
Administrative and other operating expenses		(75,526)	(126,245)
Gain on disposal of a subsidiary	27	–	5,435
Impairment losses, net of reversal	7	(685,703)	(273,039)
Finance costs	8	(696,297)	(843,444)
Share of results of associates	14	13,314	8,373
Loss before tax	9	(153,121)	(1,088,371)
Income tax expense	10	(77,631)	(34,879)
Loss for the period		(230,752)	(1,123,250)
Loss for the period attributable to:			
Owners of the Company		(263,806)	(1,156,342)
Holder of perpetual capital securities		33,054	33,092
		(230,752)	(1,123,250)
Basic loss per share	11	HK(7.35) cents	HK(32.22) cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Six months ended	
	30 June 2019 HK\$'000 (Unaudited)	30 June 2018 HK\$'000 (Unaudited)
Loss for the period	(230,752)	(1,123,250)
Other comprehensive income (expense)		
Items that may be reclassified subsequently to profit or loss:		
Fair value gain (loss) on financial assets at fair value through other comprehensive income	197,329	(319,697)
Net provision for (reversal of) impairment of financial assets at fair value through other comprehensive income included in profit or loss	6,926	(2,265)
Reclassification adjustments relating to disposal of financial assets at fair value through other comprehensive income during the period	9,667	30,129
Exchange differences on translating foreign operations:		
Exchange differences arising from subsidiaries during the period	(25)	(1,321)
Exchange differences arising from associates during the period	(12)	(64)
Other comprehensive income (expense) for the period	213,885	(293,218)
Total comprehensive expense for the period	(16,867)	(1,416,468)
Total comprehensive (expense) income for the period attributable to:		
Owners of the Company	(49,921)	(1,449,560)
Holder of perpetual capital securities	33,054	33,092
	(16,867)	(1,416,468)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	NOTES	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Non-current assets			
Property and equipment		9,513	13,301
Other long term assets		4,157	4,327
Intangible assets		3,316	3,316
Right-of-use assets		39,960	–
Financial assets at fair value through profit or loss	12	984,598	1,719,076
Financial assets at fair value through other comprehensive income	13	2,383,551	2,716,175
Other loans and receivables	15	–	291,434
Investments accounted for using the equity method	14	49,620	36,694
Amount due from an associate	14	318,093	318,838
Deferred tax assets	23	61,396	110,990
Prepayments, deposits and other receivables		11,399	11,417
Total non-current assets		3,865,603	5,225,568
Current assets			
Advances to customers in margin financing	16	3,276,554	4,072,424
Accounts receivable	17	73,043	160,347
Interest receivable		16,834	16,872
Prepayments, deposits and other receivables		82,597	88,240
Contract assets		–	9,808
Financial assets at fair value through profit or loss	12	8,053,596	13,697,120
Financial assets at fair value through other comprehensive income	13	2,648,307	2,908,508
Other loans and receivables	15	5,651,715	5,979,776
Amount due from an associate	14	1,820	1,720
Tax recoverable		62,442	65,164
Restricted bank balances	18	384,978	396,500
Cash and cash equivalents	19	3,422,649	2,401,797
Total current assets		23,674,535	29,798,276

	NOTES	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Current liabilities			
Accounts payable	20	1,995,414	2,269,848
Other liabilities, payables and accruals	21	356,411	401,108
Contract liabilities		11,893	38,511
Interest-bearing borrowings	22	10,635,956	12,456,782
Repurchase agreements	25	3,139,115	4,125,976
Tax payable		151,334	135,973
Lease liabilities		39,299	–
Financial liabilities at fair value through profit or loss	12	308,505	401,429
Total current liabilities		16,637,927	19,829,627
Net current assets		7,036,608	9,968,649
Total assets less current liabilities		10,902,211	15,194,217
Non-current liabilities			
Other liabilities, payables and accruals	21	18,425	39,022
Deferred tax liabilities	23	69,596	63,602
Interest-bearing borrowings	22	8,791,994	13,021,146
Lease liabilities		2,234	–
Total non-current liabilities		8,882,249	13,123,770
Net assets		2,019,962	2,070,447
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	24	3,588	3,588
Perpetual capital securities classified as equity investments	26	1,207,805	1,208,369
Share premium and reserves		808,569	858,490
Total equity		2,019,962	2,070,447

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company									
	Issued capital	Share premium account	Contributed surplus	Statutory reserve	Currency translation reserve	FVOCI investment revaluation reserve	Retained profits (accumulated losses)	Subtotal	Perpetual capital instruments	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2018	3,588	1,639,533	139,615	1,433	10,707	(39,145)	1,093,456	2,849,187	1,209,218	4,058,405
(Loss) profit for the period	-	-	-	-	-	-	(1,156,342)	(1,156,342)	33,092	(1,123,250)
Fair value loss on financial assets at fair value through other comprehensive income	-	-	-	-	-	(319,697)	-	(319,697)	-	(319,697)
Net reversal of impairment of financial assets at fair value through other comprehensive income included in profit or loss	-	-	-	-	-	(2,265)	-	(2,265)	-	(2,265)
Reclassification adjustment relating to disposal of financial assets at fair value through other comprehensive income during the period	-	-	-	-	-	30,129	-	30,129	-	30,129
Exchange differences on translation of foreign operations	-	-	-	-	(1,385)	-	-	(1,385)	-	(1,385)
Total comprehensive (expense) income for the period	-	-	-	-	(1,385)	(291,833)	(1,156,342)	(1,449,560)	33,092	(1,416,468)
Distribution relating to perpetual capital instruments	-	-	-	-	-	-	-	-	(33,507)	(33,507)
Dividends to shareholder	-	-	-	-	-	-	(61,004)	(61,004)	-	(61,004)
At 30 June 2018 (unaudited)	3,588	1,639,533	139,615	1,433	9,322	(330,978)	(123,890)	1,338,623	1,208,803	2,547,426
At 1 January 2019	3,588	1,639,533	139,615	1,433	3,348	(409,669)	(515,770)	862,078	1,208,369	2,070,447
(Loss) profit for the period	-	-	-	-	-	-	(263,806)	(263,806)	33,054	(230,752)
Fair value gain on financial assets at fair value through other comprehensive income	-	-	-	-	-	197,329	-	197,329	-	197,329
Net provision for impairment of financial assets at fair value through other comprehensive income included in profit or loss	-	-	-	-	-	6,926	-	6,926	-	6,926
Reclassification adjustment relating to disposal of financial assets at fair value through other comprehensive income during the period	-	-	-	-	-	9,667	-	9,667	-	9,667
Exchange differences on translation of foreign operations	-	-	-	-	(37)	-	-	(37)	-	(37)
Total comprehensive (expense) income for the period	-	-	-	-	(37)	213,922	(263,806)	(49,921)	33,054	(16,867)
Distribution relating to perpetual capital instruments (note 26)	-	-	-	-	-	-	-	-	(33,618)	(33,618)
At 30 June 2019 (unaudited)	3,588	1,639,533	139,615	1,433	3,311	(195,747)	(779,576)	812,157	1,207,805	2,019,962

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	NOTE	Six months ended	
		30 June 2019 HK\$'000 (Unaudited)	30 June 2018 HK\$'000 (Unaudited)
NET CASH FLOWS FROM OPERATING ACTIVITIES		7,233,287	211,206
INVESTING ACTIVITIES			
Interest received from amount due from an associate		11,591	55,115
Increase in other long term assets		–	(2,315)
Purchases of items of property and equipment		(1,684)	(6)
Proceeds from disposal of a subsidiary	27	–	703,300
Purchases of financial assets at fair value through other comprehensive income		(55,418)	(1,295,986)
Proceeds from disposal of financial assets at fair value through other comprehensive income		862,448	1,154,875
Repayment in amount due from an associate		–	1,098,360
NET CASH FLOWS FROM INVESTING ACTIVITIES		816,937	1,713,343
FINANCING ACTIVITIES			
Interest-bearing borrowings raised		1,563,500	2,831,220
Repayment of interest-bearing borrowings		(7,602,229)	(4,629,362)
Interest paid		(796,767)	(839,889)
Repayment of lease liabilities		(21,556)	–
Increase in pledged bank deposits		–	(43,715)
Withdrawal from second-tier limited partners of consolidated investment fund		(138,528)	–
Contribution from second-tier limited partners of consolidated investment fund		–	223,226
Distribution to perpetual capital securities holders		(33,618)	(33,507)
Dividend paid		–	(61,004)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(7,029,198)	(2,553,031)

	Six months ended	
	30 June 2019 HK\$'000 (Unaudited)	30 June 2018 HK\$'000 (Unaudited)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,021,026	(628,482)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD – as stated in the condensed consolidated statement of financial position	2,401,797	3,524,781
Effect of foreign exchange rate changes, net	3,422,823 (174)	2,896,299 63,508
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	3,422,649	2,959,807

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. Corporate Information

Huarong International Financial Holdings Limited (the “**Company**”) is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of operations of the Company is situated at Level 29, One Pacific Place, 88 Queensway, Hong Kong.

The principal activities of the Company and its subsidiaries (the “**Group**”) are securities, futures and options contracts brokerage, provision of margin financing, corporate finance and asset management services, direct investment in equities, bonds, funds, derivative instruments and other financial products and provision of money lending services.

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

2. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange (the “**Listing Rules**”).

3. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for financial assets and liabilities at fair value through profit or loss (“**FVTPL**”) (including derivative financial instruments) and financial assets at fair value through other comprehensive income (“**FVTOCI**”), which are measured at fair values.

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 2019 are the same as those followed in the Group’s annual financial statements for the year ended 31 December 2018.

3. Principal Accounting Policies (continued)

Details of the changes in accounting policies are set out below.

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 and an interpretation issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs and the interpretation in current period has had no material effect on the Group's financial positions and performance for the current period and prior years and/or disclosures set out in these condensed consolidated financial statements.

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases ("**HKAS 17**"), and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. Principal Accounting Policies (continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of staff quarters and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

3. Principal Accounting Policies (continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

As a lessee (continued)

Right-of-use assets (continued)

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments (“**HKFRS 9**”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

3. Principal Accounting Policies (continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) when the lease term has changed by discounting the revised lease payments using a revised discount rate at the date of reassessment.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

3. Principal Accounting Policies (continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an arrangement contains a lease and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

3. Principal Accounting Policies (continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong was determined on a portfolio basis.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied by relevant group entities is 4.18%.

3. Principal Accounting Policies (continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

	At 1 January 2019 HK\$'000
Operating lease commitments as at 31 December 2018	64,154
Less: Recognition exemption – short-term leases	(2,048)
	62,106
Lease liabilities discounted at relevant incremental borrowing rates relating to operating lease recognised upon application of HKFRS 16 as at 1 January 2019	58,834
Analysed as	
Current	39,066
Non-current	19,768
	58,834
The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:	
	Right-of- use assets HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	58,834
By class:	
Leasehold land and buildings	56,459
Office equipment	2,375

Note: Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and should be adjusted to reflect the discounting effect at transition. The application of the discounting effect on 1 January 2019 is considered not material at the initial application. Accordingly, there is no adjustment refundable rental deposits and right-of-use assets.

3. Principal Accounting Policies (continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts reported at 31 December 2018 HK\$'000	Adjustments HK\$'000	Carrying amounts previously under HKFRS 16 at 1 January 2019 HK\$'000
Non-current asset			
Right-of-use assets	–	58,834	58,834
Current liability			
Lease liabilities	–	39,066	39,066
Non-current liability			
Lease liabilities	–	19,768	19,768

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

4. Operating Segment Information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Company has determined the members of the Executive Committee as its chief operating decision maker.

The segments are managed separately as each segment engages in different activities. The Group's operating and reportable segments are as follows:

- (a) the securities segment comprises broking and dealing of securities, futures and options contracts and the provision of margin financing services;
- (b) the corporate finance segment provides securities underwriting and sponsoring, financial advisory and financing arrangement services to institutional clients; and
- (c) the asset management and direct investment segment comprises provision of asset management services, direct investments in equities, bonds, funds, derivative instruments and other financial products and provision of money lending services.

4. Operating Segment Information (continued)

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

Six months ended 30 June 2019 (unaudited)

	Securities HK\$'000	Corporate finance HK\$'000	Asset management and direct investment HK\$'000	Total HK\$'000
Segment revenue				
Commission and fee income	25,436	13,261	35,586	74,283
Interest income	194,323	–	573,223	767,546
Investment income	–	–	112,325	112,325
	219,759	13,261	721,134	954,154
Net gains on financial assets at fair value through profit or loss	–	–	378,252	378,252
Net loss arising from disposal of financial assets at fair value through other comprehensive income	–	–	(9,667)	(9,667)
Share of results of associates	–	–	13,314	13,314
Other income and gains or losses, net	2,985	–	(59,135)	(56,150)
	222,744	13,261	1,043,898	1,279,903
Segment results	(462,370)	4,706	1,016,788	559,124
Finance costs				(696,297)
Other unallocated income and gains or losses, net				29,116
Other unallocated expenses, net				(45,064)
Loss before tax				(153,121)
Income tax expense				(77,631)
Loss for the period				(230,752)

4. Operating Segment Information (continued)

Six months ended 30 June 2018 (unaudited)

	Securities HK\$'000	Corporate finance HK\$'000	Asset management and direct investment HK\$'000	Total HK\$'000
Segment revenue				
Commission and fee income	26,329	5,001	56,947	88,277
Interest income	218,466	–	623,219	841,685
Investment income	–	–	177,708	177,708
	244,795	5,001	857,874	1,107,670
Net losses on financial assets at fair value through profit or loss	–	–	(819,919)	(819,919)
Net loss arising from disposal of financial assets at fair value through other comprehensive income	–	–	(30,129)	(30,129)
Share of results of associates	–	–	8,373	8,373
Gain on disposal of a subsidiary	–	–	5,435	5,435
Other income and gains or losses, net	921	–	(78,432)	(77,511)
	245,716	5,001	(56,798)	193,919
Segment results	62,511	(1,274)	(205,681)	(144,444)
Finance costs				(843,444)
Other unallocated income and gains or losses, net				(30,318)
Other unallocated expenses, net				(70,165)
Loss before tax				(1,088,371)
Income tax expense				(34,879)
Loss for the period				(1,123,250)

4. Operating Segment Information (continued)

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

	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
Asset		
Securities	5,096,445	5,748,615
Corporate finance	88,875	90,540
Asset management and direct investment	20,986,084	28,649,172
Total segment assets	26,171,404	34,488,327
Other unallocated assets	1,368,734	535,517
Total assets	27,540,138	35,023,844
Liabilities		
Securities	901,771	901,501
Corporate finance	5,669	7,133
Asset management and direct investment	15,690,384	8,574,169
Total segment liabilities	16,597,824	9,482,803
Other unallocated liabilities	8,922,352	23,470,594
Total liabilities	25,520,176	32,953,397

4. Operating Segment Information (continued)

Geographical information:

The Group's operations are located in Hong Kong and the People's Republic of China (the "PRC").

Information about the Group's revenue from external customers is presented based on the location of the operations.

Information about the Group's property and equipment, intangible assets, other long term assets, investments accounted for using the equity method and right-of-use assets ("specified non-current assets") is presented based on the geographical location of the assets.

	Revenue from external customers		Specified non-current assets	
	Six months ended		As at	
	30 June 2019	30 June 2018	30 June 2019	31 December 2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Hong Kong	933,197	1,026,038	53,292	19,016
PRC	20,957	81,632	53,274	38,622
	954,154	1,107,670	106,566	57,638

5. Revenue

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

	Six months ended	
	30 June 2019 HK\$'000 (Unaudited)	30 June 2018 HK\$'000 (Unaudited)
Revenue (note (vi))		
Commission and fee income (note (i)):		
Fee and commission income on securities dealing and broking (note (ii))	8,795	17,548
Placing and underwriting fee income (note (iii))	–	4,002
Consultancy and financing advisory fee income (note (iv))	54,575	56,892
Management fee income (note (v))	10,913	8,975
Other service income (note (ii))	–	860
Total revenue from contracts with customers	74,283	88,277
Interest income:		
Interest income from other loans and receivables (note (v))	161,164	299,941
Interest income from amount due from an associate (note (v))	11,699	45,920
Interest income from financial assets at fair value through profit or loss (note (v))	257,730	100,389
Interest income from financial assets at fair value through other comprehensive income (note (v))	142,630	176,969
Interest income from margin financing activities (note (ii))	194,323	218,466
	767,546	841,685
Investment income:		
Dividend income (note (v))	112,325	177,708
	954,154	1,107,670

Notes:

- (i) The commission and fee income is the only revenue arising under the scope of HKFRS 15, while interest income and investment income are under the scope of HKFRS 9.

Included in revenue, revenue arising from contract with customers recognised at a point in time and over time were HK\$8,795,000 (2018: HK\$22,410,000) and HK\$65,488,000 (2018: HK\$65,867,000), respectively.

5. Revenue (continued)

Notes: (continued)

- (ii) Amounts are reported under securities segment as set out in Note 4.
- (iii) Amounts are reported under corporate finance segment set out in Note 4.
- (iv) Amounts of consultancy and financing advisory fee income of HK\$16,641,000, HK\$13,261,000 and HK\$24,673,000 have been included in securities segment, corporate finance segment and asset management and direct investment segment respectively.
- (v) Amounts are reported under asset management and direct investment segment set out in Note 4.
- (vi) Except for the amounts of interest income from other loans and receivables of HK\$ 20,957,000 (2018: interest income from other loans and receivables of HK\$67,162,000 and consultancy and financing advisory fee income of HK\$14,470,000) which are under PRC operation, all other revenue from external customers are under Hong Kong operation as set out in Note 4.

6. Other Income and Gains or Losses, Net

An analysis of other income and gains or losses, net is as follows:

	Six months ended	
	30 June 2019 HK\$'000 (Unaudited)	30 June 2018 HK\$'000 (Unaudited)
Bank interest income	5,971	30,291
Foreign exchange differences and other gains and losses, net	26,342	(44,227)
Fair value losses on financial liabilities at fair value through profit or loss	(59,347)	(93,893)
	(27,034)	(107,829)

7. Impairment Losses, Net of Reversal

	Six months ended	
	30 June 2019 HK\$'000 (Unaudited)	30 June 2018 HK\$'000 (Unaudited)
Net provision for impairment of other loans and receivables	16,867	135,404
Net reversal of impairment of amount due from an associate	-	(21,853)
Net provision for impairment of advances to customers in margin financing and accounts receivable	661,910	161,753
Net provision for (reversal of) impairment of financial assets at FVTOCI	6,926	(2,265)
	685,703	273,039

8. Finance Costs

An analysis of finance costs is as follows:

	Six months ended	
	30 June 2019 HK\$'000 (Unaudited)	30 June 2018 HK\$'000 (Unaudited)
Interest on loans from the ultimate holding company	70,236	23,881
Interest on loans from an intermediate holding company	450,295	446,326
Interest on bank borrowings	74,718	244,606
Interest on repurchase agreements and other activities	100,093	128,631
Interest on lease liabilities	955	–
	696,297	843,444

9. Loss Before Tax

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

	Six months ended	
	30 June 2019 HK\$'000 (Unaudited)	30 June 2018 HK\$'000 (Unaudited)
Depreciation of property and equipment	5,642	4,534
Depreciation of right-of-use assets	21,219	–
Minimum lease payments under operating leases	–	22,889
Auditor's remuneration:		
– Statutory audit service fee	860	1,200
Employee benefit expenses (including directors' remuneration)	23,906	52,176

10. Income Tax Expense

	Six months ended	
	30 June 2019 HK\$'000 (Unaudited)	30 June 2018 HK\$'000 (Unaudited)
Current tax:		
Hong Kong	22,043	103,201
PRC	–	5,043
Deferred tax (note 23)	22,043 55,588	108,244 (73,365)
	77,631	34,879

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

Hong Kong Profits Tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

Under the Law of the People’s Republic of China on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the period.

11. Loss Per Share Attributable to Owners of the Company

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

	Six months ended	
	30 June 2019 HK\$'000 (Unaudited)	30 June 2018 HK\$'000 (Unaudited)
Loss		
Loss for the period attributable to owners of the Company, used as loss for the purpose of basic loss per share	(263,806)	(1,156,342)
	Number of shares	
	1 January 2019 to 30 June 2019 '000	1 January 2018 to 30 June 2018 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of loss per share	3,588,466	3,588,466

No diluted loss per share was presented for both periods because there were no potential dilutive ordinary shares during both the current and prior periods.

12. Financial Assets/Liabilities at Fair Value Through Profit or Loss

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Assets		
Non-current:		
– Unlisted fund investments (note (iii))	984,598	1,719,076
Current:		
– Listed preference shares	2,623,494	3,173,540
– Unlisted preference shares (note (iv))	360,000	360,000
– Unlisted convertible bonds and convertible notes (notes (i))	1,273,981	1,675,555
– Unlisted convertible bonds with put option (notes (ii))	192,500	192,500
– Unlisted fund investments (note (iii))	1,070,272	5,341,891
– Listed equity investments	1,325,304	2,247,212
– Listed debt investments	441,713	474,693
– Unlisted put options on listed equity investments, at fair value (note (v))	766,332	231,729
	8,053,596	13,697,120
Liabilities		
Current:		
Payables to interest holders of unlisted consolidated investment funds, measured at FVTPL (note (vi))	308,505	401,429

12. Financial Assets/Liabilities at Fair Value Through Profit or Loss (continued)

- (i) The unlisted convertible notes with the principal amount of HK\$500,000,000 (31 December 2018: HK\$500,000,000) with a fixed interest rate of 7% per annum payable semi-annually and the initial contractual conversion price of HK\$3.476 (31 December 2018: HK\$3.476) per share, was issued by a listed company in Hong Kong with the due date on 20 May 2019 (the “**Convertible Note 1**”). The conversion price of Convertible Note 1 has been subsequently adjusted to HK\$0.6952 per share due to the corporate action of share subdivision conducted by the listed issuer. The conversion option expired on the due date. As at 30 June 2019, the fair value of the Convertible Note 1 is HK\$425,000,000 (31 December 2018: HK\$523,149,000), which was based on discounted cash flow by taking into account the credit risk of the issuer.

The unlisted convertible notes with the principal amount of HK\$75,000,000 (31 December 2018: HK\$75,000,000) with the fixed interest rate of 5% per annum payable semi-annually and conversion price of HK\$0.675 (31 December 2018: HK\$0.675) per share, was issued by a listed company in Hong Kong with the due date on 25 October 2018 (the “**Convertible Note 2**”) and it has not yet been settled. The convertible option expired on the due date. As at 30 June 2019, the fair value of the instrument amounted to approximately HK\$52,500,000 (31 December 2018: HK\$52,500,000), which was determined based on discounted cash flow by taking into account of the credit risk of the issuer and the fair value of the additional collateral provided by the controlling shareholder of the issuer.

The unlisted convertible bonds with the principal amount of HK\$800,000,000 (31 December 2018: HK\$800,000,000) with a fixed interest rate of 7% per annum for the first year and 8% per annum for the second year up to maturity date and payable semi-annually with conversion price of HK\$3.27 (31 December 2018: HK\$3.27) per share, was issued by a listed company in Hong Kong with the due date on 31 December 2019 (the “**Convertible Note 3**”). As at 30 June 2019, the fair value of the Convertible Note 3 is HK\$796,481,000 (31 December 2018: HK\$789,728,000), which was estimated by an independent firm of professional valuers.

The unlisted convertible notes with the principal amount of US\$30,000,000 or equivalent to HK\$233,625,000 with fixed interest rate of 4.5% per annum payable semi-annually and conversion price of HK\$3.00 per share, was issued by a listed company in Hong Kong with the due date on 10 March 2019 (the “**Convertible Note 4**”). During the current period, the Company entered the sales and purchases agreement with an independent individual on 3 March 2019 to dispose of the Convertible Note 4 with the consideration of US\$52,000,000 or equivalent to HK\$405,600,000. As at 30 June 2019, the transaction has completed and fully settled. As at 31 December 2018, the fair value of the Convertible Note 4 is HK\$310,178,000 which was estimated by an independent firm of professional valuers.

12. Financial Assets/Liabilities at Fair Value Through Profit or Loss (continued)

- (ii) As at 30 June 2019, the unlisted convertible bonds with principal amount of HK\$275,000,000 (31 December 2018: HK\$275,000,000) with the fixed interest rate of 4% per annum payable quarterly and the initial conversion price of HK\$0.77 (31 December 2018: HK\$ 0.77) per share, was issued by a listed company in Hong Kong with the due date on 12 November 2018 (the “**Convertible Note 5**”) and it has yet been settled. The conversion price of Convertible Note 5 has been subsequently changed to HK\$3.85 per share due to the revised investment agreement. Put option in relation to the convertible bonds was granted by an independent third party to the Group and was expired as at 30 June 2019.

As at 30 June 2019, the fair value of the Convertible Note 5 amounted to approximately HK\$192,500,000 (31 December 2018: HK\$192,500,000), which was determined based on discounted cash flow by taking into account of the credit risk of the issuer and the fair value of the additional collateral provided by the controlling shareholder of the issuer.

- (iii) As at 30 June 2019, included in financial assets at FVTPL are unlisted fund investments of approximately HK\$2,054,870,000 (31 December 2018: HK\$7,060,967,000) which are mainly investments in a portfolio of fixed income products to achieve capital appreciation and investment returns in the medium to long term basis. The Group does not expect to transfer the unlisted fund investment of approximately HK\$984,598,000 to third parties within the next twelve months and has accordingly classified them as non-current assets. During the current period, there were redemptions of fund investments with carrying amount of approximately HK\$5,096,000,000.
- (iv) As at 30 June 2019, included in financial assets at FVTPL are the unlisted preference shares with aggregate amount of HK\$900,000,000 (31 December 2018: HK\$900,000,000) with fixed interest rate of 6% put option in relation to the preference shares was granted to the Group which gives the Group the right to require the issuer, an independent third party, to purchase a maximum of 900,000 preference shares of an unlisted company in Hong Kong at a range of pre-determined prices in a specific period. Due to the failure to settle first annual preferential dividends of HK\$54,000,000 in prior year, the Group delivered a put option notice to the issuer according to the event of default put option stated in the relevant agreements with a total put price of HK\$976,500,000. According to the relevant agreement, the transaction is required to be settled within 7 business days after the date of the put notice is delivered and the preference shares will be transferred only when it is settled.

As at 30 June 2019, the transaction was not settled and the preference shares are not transferred. Accordingly, the transaction is considered not yet completed. The fair value of the unlisted preference shares amounted to approximately HK\$360,000,000 (31 December 2018: HK\$360,000,000), which was determined based on discounted cash flow by taking into account of the credit risk of the issuer.

12. Financial Assets/Liabilities at Fair Value Through Profit or Loss (continued)

- (v) In the prior year, the Group purchased listed securities together with a put option (“**Put Option 1**”) at an aggregate consideration of approximately HK\$181,073,000. The put option gives the Group the right to require the issuer of put option, an independent third party, to purchase shares of a listed company in Hong Kong at a range of pre-determined prices in a specific period. At the expiry date of the put option, the issuer of put option shall purchase and the Group shall sell all shares that have not been sold till then, at a price determined in accordance with the put option agreement.

The fair value of the Put Option 1 amounted to approximately HK\$173,696,000 as at 30 June 2019 (31 December 2018: HK\$75,380,000), which was estimated by an independent firm of professional valuers.

In the prior year, the Group purchased listed securities together with a put option (“**Put Option 2**”) at an aggregated consideration of approximately HK\$728,671,000. The put option gives the Group the right to require the issuer of put option, an independent third party, to purchase shares of a listed company in Hong Kong at a range of pre-determined prices in a specific period. At the expiry date of the put option, the issuer of put option shall purchase and the Group shall sell all shares that have not been sold till then, at a price determined in accordance with the put option agreement.

The fair value of the Put Option 2 amounted to approximately HK\$523,383,000 as at 30 June 2019 (31 December 2018: HK\$119,410,000), which was estimated by an independent firm of professional valuers.

As at 30 June 2019, the Group held two put option contracts in relation to listed securities with the fair value of HK\$69,253,000 (31 December 2018: HK\$36,939,000), which was estimated by an independent firm of professional valuers.

The day 1 gain arising from the relevant put option investments with the underlying assets of listed securities have been amortised in accordance with the terms of instruments as deferred income as disclosed in Note 21(iv).

12. Financial Assets/Liabilities at Fair Value Through Profit or Loss (continued)

- (vi) As at 30 June 2019 and 31 December 2018, included in financial liabilities at FVTPL are the payables to interest holders of unlisted consolidated investment funds.

As at 30 June 2019 and 31 December 2018, a wholly-owned subsidiary of the Group held 65% interests in Paragon Resort Fund L.P. (the “**PRF Fund**”) as a limited partner (the “**First-Tier Limited Partner of the PRF Fund**”). According to the limited partnership agreement, at the end of the term of the PRF Fund, the First-Tier Limited Partner of the PRF Fund will be entitled to a priority return of its own capital contribution and a 8% preferred return; thereafter the second-tier limited partner is entitled to return of its own capital contribution. Thereafter, 60% and 40% of the residual amount of the consolidated investment fund will be distributed to First-Tier Limited Partner of the PRF Fund and second-tier limited partner, respectively. Accordingly, the interests of the second-tier limited partner in the consolidated investment fund are classified as financial liabilities measured at FVTPL of approximately HK\$119,031,000 as at 30 June 2019 (31 December 2018: HK\$95,727,000).

As at 30 June 2019 and 31 December 2018, a wholly-owned subsidiary of the Group held 50% interests in Visual Dome Fund L.P. (the “**VD Fund**”) as a limited partner (the “**First-Tier Limited Partner of the VD Fund**”). According to the limited partnership agreement, at the end of the term of the VD Fund, the First-Tier Limited Partner of the VD Fund will be entitled to a priority return of its own capital contribution and a 10.5% preferred return; thereafter the second-tier limited partner is entitled to return of its own capital contribution. Thereafter, 20% and 80% of the residual amount of the consolidated investment fund will be distributed to First-Tier Limited Partner of the VD Fund and second-tier limited partner, respectively. Accordingly, the interests of the second-tier limited partner in the consolidated investment fund are classified as financial liabilities measured at FVTPL of approximately HK\$189,474,000 as at 30 June 2019 (31 December 2018: HK\$226,726,000).

As at 31 December 2018, a wholly-owned subsidiary of the Group held 90% interests in Huarong International Asset Management Growth Fund LP (the “**Growth Fund**”) as a limited partner (the “**First-Tier Limited Partner of the Growth Fund**”). Pursuant to the limited partnership agreement of the Growth Fund, the interests in the Growth Fund as a limited partner provide the Group with the return of capital equal to 100% of its total invested capital and a fixed proceed of 12% per annum return of its invested capital to First-Tier Limited Partner of the Growth Fund. If the Growth Fund eventually holds its investment, till maturity (three years period), the total minimum return of First-Tier Limited Partner of the Growth Fund is guaranteed at 12% per annum of its invested capital. Thereafter, the second-tier limited partner is entitled to return of its own capital contribution. Thereafter 20% and 80% of the residual amount of the consolidated investment fund will be distributed to First-Tier Limited Partner of the Growth Fund and second-tier limited partner, respectively. Accordingly, the interests of the second-tier limited partner are classified as financial liabilities measured at FVTPL of approximately HK\$78,976,000 as at 31 December 2018. During the period, the interest in Growth Fund held by the Group was fully redeemed. The Group deconsolidated the fund accordingly.

The Group did not provide any financial support to the above unlisted consolidated investment funds during the period ended 30 June 2019 and the year ended 31 December 2018.

13. Financial Assets at Fair Value Through Other Comprehensive Income

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Non-current:		
Listed debt investments, at fair value	2,383,551	2,716,175
Current:		
Listed debt investments, at fair value	2,648,307	2,908,508
	5,031,858	5,624,683

During the period, the gain in respect of changes in fair value of the Group's financial assets at FVTOCI recognised in other comprehensive income amounted to approximately HK\$197,329,000 (2018: a loss of approximately HK\$319,697,000). During the period, the Group disposed of financial assets at FVTOCI with proceeds of approximately HK\$862,448,000 (2018: HK\$1,154,875,000) to independent third parties, and a loss of approximately HK\$9,667,000 (2018: a loss of approximately HK\$30,129,000) was reclassified from other comprehensive income to profit or loss upon disposal.

Interest income derived from financial assets at FVTOCI was recognised as "interest income from financial assets at fair value through other comprehensive income" within "revenue".

14. Investments Accounted for Using the Equity Method and Amount Due from an Associate

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Associates:		
Cost of unlisted investments in associates	17,062	17,062
Share of results of associates	33,884	20,570
Exchange differences	(1,326)	(938)
	49,620	36,694

14. Investments Accounted for Using the Equity Method and Amount Due from an Associate (continued)

Details of principal investments accounted for using the equity method are disclosed as follows:

Name of entity	Country of incorporation	Interest held by the Group		Principal activities
		As at 30 June 2019	As at 31 December 2018	
Hua Rong Bo Run International Investment Holdings Limited	HK	40%	40%	Investment holding
華融柏潤(珠海)資產管理有限公司	PRC	40%	40%	Asset management and advisory services for mergers and acquisitions

The share of (loss) profit arisen from Hua Rong Bo Run International Investment Holdings Limited, and from 華融柏潤(珠海)資產管理有限公司 for the period ended 30 June 2019 was profit of nil (2018: loss of HK\$8,164,000) and profit of HK\$13,314,000 (2018: profit of HK\$27,608,000) respectively.

The carrying amount of amount due from an associate, Hua Rong Bo Run International Investment Holdings Limited, was approximately HK\$318,093,000 (31 December 2018: HK\$318,838,000) as at 30 June 2019 with an interest rate of 7% per annum, repayable on 21 May 2022 and extendable to 2 years and a balance of interest receivable amounting to HK\$1,820,000 (31 December 2018: HK\$1,720,000) which are expected to be received within the next twelve months. The gross carrying amount of amount due from associate was HK\$329,702,000 (2018: HK\$330,347,000) as at 30 June 2019. During the year ended 31 December 2018, there was a reversal of impairment of amount due from an associate amounting to HK\$21,127,000 due to the repayment from an associate. The carrying amount of amount due from an associate was net of provision for impairment of HK\$9,789,000 (31 December 2018: HK\$9,789,000).

15. Other Loans and Receivables

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Other loans and receivables	6,010,720	6,614,053
Less: Provision for impairment	(359,005)	(342,843)
	5,651,715	6,271,210
Secured	5,651,715	6,032,149
Unsecured	–	239,061
	5,651,715	6,271,210
Analysed as:		
Current	5,651,715	5,979,776
Non-current	–	291,434
	5,651,715	6,271,210

As at 30 June 2019, other loans and receivables included loans to independent third parties which are secured and/or backed by guarantees and collaterals, with contractual interest rates ranging from 5% to 14% per annum (31 December 2018: 5% to 14% per annum) with contractual maturity date up to 9 months from 30 June 2019 (31 December 2018: up to two years).

As at 30 June 2019, other loans and receivables with carrying amount of approximately HK\$5,651,715,000 (31 December 2018: HK\$6,032,149,000) are secured by properties in Australia and the PRC, listed equity issued by a company listed in Hong Kong and unlisted equity.

As at 31 December 2018, unsecured other loans and receivables included a 8.5% redeemable fixed coupon notes with carrying amount of approximately HK\$239,061,000 with contractual maturity of approximately six months from 31 December 2018.

As at 30 June 2019, the Group has concentration of credit risk as 65% (31 December 2018: 58%) of the total other loans and receivables was due from the Group's five largest borrowing customers. Interest income derived from other loans and receivables was recognised as "interest income from other loans and receivables" within "revenue".

Regular reviews on these loans are conducted by the risk management department based on the latest status of these loans, and the latest announced or available information about the borrowers and the underlying collateral held. Apart from collateral monitoring, the Group seeks to maintain effective control over its loans in order to minimise credit risk by regularly reviewing the borrowers' and/or guarantors' financial positions.

15. Other Loans and Receivables (continued)

As at 30 June 2019, included in the Group's loan receivables balance are borrowers with aggregate carrying amount of HK\$3,843,838,000 (31 December 2018: HK\$1,016,379,000) which are past due as at the reporting date, of which HK\$1,777,731,000 (31 December 2018: HK\$1,004,637,000) has been past due 90 days or more. The directors of the Company considers those past due more than 90 days are credit impaired.

As at 30 June 2019, credit impaired loan receivables of HK\$3,249,670,000 (2018: HK\$2,304,106,000) is secured by either properties in the PRC, listed equity or unlisted equity. The remaining gross amount of unsecured credit impaired loan receivables is nil (31 December 2018: approximately HK\$341,515,000). In determining the allowances for credit impaired loan receivables, the management of the Group also considered the fair value of collateral and the outstanding balance of loan receivables individually taking into account of executable settlement plan and restructuring arrangements.

The management of the Group estimate the amount of loss allowance for expected credit loss on these credit impaired loan receivables by assessing the present value of estimated future cash flows with the consideration of expected future credit loss of the respective loans which are based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors or borrowers, which include any (i) significant financial difficulty of the debtors or borrowers, (ii) breach of contract or probability that the debtors or borrowers will enter bankruptcy and (iii) the status and progress of financial restructuring, general economic conditions and both the current conditions at the reporting date as well as the forecast of future conditions with significant judgments involved. Moreover, the Group also reviews and assesses the fair value of the collateral received from the customers in determining the impairment with the involvement of third party qualified valuers, if necessary. The assessment of the credit risk and therefore expected cash flows of the respective loan involves a high degree of estimation and uncertainty. In the opinion of the directors of the Company, the impairment provision for the current period is sufficient.

16. Advances to Customers in Margin Financing

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Loans to customers in margin financing	4,331,903	4,470,932
Less: provision for impairment	(1,055,349)	(398,508)
	3,276,554	4,072,424

The loans to customers in margin financing are interest-bearing and secured by the underlying pledged securities. The Group maintains a list of approved securities for margin lending at a specific loan to collateral ratio. Any excess in the lending ratio will trigger a margin call in the case of which the customers have to make additional funds for the shortfall.

16. Advances to Customers in Margin Financing (continued)

No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in the view of the revolving nature of the business of securities margin financing.

The Group allows a credit period of up to the settlement dates of the respective securities, futures, options transactions or a credit period mutually agreed with the contracting parties. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables so as to minimise credit risk. Loans for margin financing are secured by the pledge of customers' securities as collateral. The credit facility limits to customers in margin financing are determined by the market value of the collateral securities accepted by the Group. Overdue balances are reviewed regularly by the management.

The Group has concentration of credit risk as 63% (31 December 2018: 61%) of the total loans to securities margin clients due from the Group's five largest securities margin clients.

As at 30 June 2019, 61% (31 December 2018: 80%) of the outstanding balances in gross carrying amount were secured by sufficient collateral. In determining the allowances for credit impaired loans to margin clients, the management of the Group also takes into account shortfall by comparing the fair value of securities pledged as collateral and the outstanding balance of loan to margin clients individually taking into account of subsequent settlement or executable settlement plan and restructuring arrangements. The management of the Group estimate the amount of loss allowance for expected credit loss on these credit impaired loan receivables by assessing the present value of estimated future cash flows with the consideration of expected future credit loss of the respective loans which are based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors or borrowers, which include any (i) significant financial difficulty of the debtors or borrowers, (ii) breach of contract or probability that the debtors or borrowers will enter bankruptcy and (iii) the status and progress of financial restructuring, general economic conditions and both the current conditions at the reporting date as well as the forecast of future conditions with significant judgments involved. Moreover, the Group also reviews and assesses the fair value of the collateral received from the customers in determining the impairment with the involvement of third party qualified valuers, if necessary. The assessment of the credit risk and therefore expected cash flows of the respective loan involves a high degree of estimation and uncertainty. In the opinion of the directors of the Company, the impairment provision for the current period is sufficient.

As at 30 June 2019, the loans to securities margin clients with gross carrying amount HK\$754,797,000 was transferred into stage 3 after the Group assessed the recoverability by referencing to the market values of the collateralised securities provided by margin clients. An impairment loss of HK\$639,922,000 was recognised on such loans transferred into stage 3 after considering the recoverable amount of collateral during the current period.

17. Accounts Receivable

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Accounts receivable from:		
– securities, futures and options dealing services		
– clients	7,474	4,832
– brokers, dealers and clearing houses	46,812	135,262
– corporate finance	24,144	20,264
– asset management	–	320
	78,430	160,678
Provision for impairment	(5,387)	(331)
	73,043	160,347

Accounts receivable from clients, brokers, dealers and clearing houses arising from the business of dealing in securities are repayable on demand subsequent to settlement date and bear variable interests at commercial rates. The normal settlement terms of accounts receivable arising from the business of dealing in securities are two days after trade date or at specific terms agreed with clients, brokers, dealers and accounts receivable arising from the business of dealing in futures and options are one day after trade date.

Normal settlement terms of accounts receivable arising from the business of corporate finance and asset management are determined in accordance with the agreed terms, usually on a quarterly basis.

An aged analysis of the Group's accounts receivable, based on the trade date and net of provision for impairment, is as follows:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
0–30 days	68,413	154,975
31–90 days	275	444
91–365 days	–	4,066
Over 365 days	4,355	862
	73,043	160,347

17. Accounts Receivable (continued)

The movements in provision for impairment of accounts receivable are as follows:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
At beginning of period/year	331	243
Provision for impairment, net	5,069	88
Exchange differences	(13)	–
At end of period/year	5,387	331

As at 30 June 2019, included in the Group's accounts receivable balance are debtors with aggregate carrying amount of HK\$20,346,000 (31 December 2018: HK\$21,028,000) which are past due as at the reporting date. Out of the past due balances, HK\$4,355,000 (31 December 2018: HK\$4,928,000) has been past due 90 days or more and is considered as in default, the management believes that no impairment allowance is necessary in respect of these balance by considering the financial status of the debtors.

As at 30 June 2019, accounts receivable amounting to HK\$19,032,000 (31 December 2018: HK\$20,584,000) are arising from corporate finance and assets management business which is under the scope of HKFRS 15. The Group performs impairment assessment under lifetime ECL on these balances individually for debtors. As at 30 June 2019, allowance amounting to HK\$5,112,000 (31 December 2018: nil) is made accordingly.

The remaining provision for impairment of accounts receivable is the provision for individually impaired accounts receivable from securities clients of approximately HK\$275,000 (31 December 2018: HK\$331,000).

ECL assessments have been performed by considering the historical credit loss experience, general economic conditions, status of subsequent settlement, probability of default, forward-looking information and future cash flow of each project individually.

18. Restricted Bank Balances

The Group maintains segregated trust accounts with licenced banks to hold clients' monies arising from its normal course of business licenced by the Securities and Futures Commission. The Group has classified these clients' monies as restricted bank balances under the current assets section of the condensed consolidated statement of financial position and recognised the corresponding amounts payable to the respective clients on the ground that it is liable for any loss or misappropriation of these clients' monies. The Group is not permitted to use the clients' monies to settle its own obligations.

19. Cash and Cash Equivalents

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

20. Accounts Payable

An aged analysis of the Group's accounts payable, based on the settlement due date, is as follows:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Current to 1 month	1,995,414	2,269,848

As at 30 June 2019, included in the accounts payable is the account payable to financial institutions of approximately HK\$1,597,254,000 (31 December 2018: HK\$1,869,089,000) which is maintained for the investment trading. The balance is interest bearing at the rates ranging from 3.3% to 3.9% per annum (2018: 2.8% to 3.9%).

The remaining accounts payable are unsecured and repayable on the settlement date of the relevant trades or upon demand from customers.

As at 30 June 2019, accounts payable with carrying amount of approximately HK\$394,534,000 (31 December 2018: HK\$398,402,000) are interest-bearing at bank savings deposit rates.

21. Other Liabilities, Payables and Accruals

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Current portion:		
Other payables	1,403	2,381
Interest payables (note (i))	127,059	228,484
Accruals (note (ii))	30,164	35,550
Receipt in advance (note (iii))	128,445	31,417
Deferred income (note (iv))	69,340	103,276
	356,411	401,108
Non-current portion:		
Other payables	723	3,618
Deferred income (note (iv))	17,702	35,404
	18,425	39,022

Notes:

- (i) Included in interest payables are the interest payables amounting to HK\$102,358,000 (31 December 2018: HK\$205,866,000) in relation to the loans from an intermediate holding company of an aggregate amount of US\$1,825,958,000 (31 December 2018: US\$2,763,331,000) at annual interest rates of ranging from 3.85% to 7.98% (31 December 2018: 3.85% to 7.98%) and interest payables of HK\$8,223,000 (31 December 2018: HK\$ 7,209,000) in relation to the loans from the ultimate holding company of an aggregate amount of RMB1,595,000,000 (31 December 2018: RMB1,569,000,000) at annual interest rates of 6.87% to 8.24% (31 December 2018: 6.87% to 6.97%) and HK\$16,478,000 (31 December 2018: HK\$15,409,000) interest payable in relation to bank borrowings.
- (ii) Accruals mainly represent HK\$13,020,000 (31 December 2018: HK\$22,183,000) salaries and bonus payable.
- (iii) Receipt in advance represents the payment from the independent third parties who are interested to acquire certain listed equities held by the Group ("**Transactions**"). Up to the reporting date, the Transactions are still in negotiation and not contracted.
- (iv) As at 30 June 2019, included in the deferred income are amounts which represent the day 1 gain or loss arising from put option investments with the underlying assets of listed securities as disclosed in Note 12(v) that the initial fair value is based on a valuation technique which included a significant unobservable input. Accordingly, the directors of the Company determine that the difference between the fair value at initial recognition and the transaction price shall be recognised as a deferred gain and amortised to the profit or loss in accordance with the manner consistent with the nature of the key unobservable input of expected volatility.

22. Interest-Bearing Borrowings

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Bank loans	3,344,563	2,042,304
	3,344,563	2,042,304
Loan from the ultimate holding company	1,813,200	1,790,687
Loan from an intermediate holding company	14,270,187	21,644,937
	19,427,950	25,477,928
Secured	162,500	159,000
Unsecured	19,265,450	25,318,928
	19,427,950	25,477,928
The carrying amounts of the above borrowings are repayable*:		
Within one year	10,635,956	12,456,782
Within a period of more than one year but not exceeding two years	2,193,095	2,238,964
Within a period of more than two years but not exceeding five years	3,562,617	7,739,009
Within a period of more than five years	3,036,282	3,043,173
	19,427,950	25,477,928
The carrying amounts of bank loans that contain a repayment on demand clause (shown under current liabilities) but repayable within one year	3,344,563	2,042,304
Amounts due within one year shown under current liabilities	7,291,393	10,414,478
Amounts shown under current liabilities	10,635,956	12,456,782
Amounts shown under non-current liabilities	8,791,994	13,021,146
	19,427,950	25,477,928

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

22. Interest-Bearing Borrowings (continued)

As at 30 June 2019, the Group had loans (the “**Company Loans**”) amounting to approximately US\$1,825,958,000 (equivalent to approximately HK\$14,270,187,000) (31 December 2018: US\$2,763,331,000 (equivalent to approximately HK\$21,644,937,000)) from its intermediate holding company, China Huarong International Holdings Limited (“**CHIH**”) and RMB1,595,000,000 (equivalent to approximately HK\$1,813,200,000) (31 December 2018: RMB1,569,000,000 (equivalent to approximately HK\$1,790,687,000)) from the ultimate holding company, China Huarong Asset Management Co., Ltd. (“**China Huarong**”) for the expansion of the Group’s business. The Company Loans bear interest at fixed interest rates ranging from 3.85% to 8.24% per annum (31 December 2018: 3.85% to 7.98% per annum) and are repayable in one month to eight years (31 December 2018: one month to nine years) from the end of the reporting period.

In addition, bank borrowings of HK\$162,500,000 (31 December 2018: HK\$159,000,000) are secured by the listed shares (held by the Group as security for advances to customers in margin financing with the customers’ consent) as at 30 June 2019.

As at 30 June 2019, the Group has undrawn bank facilities of approximately HK\$4,073,775,000 (31 December 2018: HK\$2,845,975,000), and the Group utilised approximately HK\$3,344,563,000 (31 December 2018: HK\$2,042,304,000) of these banking facilities.

The bank borrowings as at 30 June 2019 carry variable interest at Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 1.60% to 2.40% and London Interbank Offered Rate (“**LIBOR**”) plus 1.70% to 2.40% per annum (31 December 2018: HIBOR plus 1.70% to 2.40%, LIBOR plus 1.70% to 2.40% per annum).

23. Deferred Taxation

For the purposes of presentation in the condensed consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2019 HK\$’000 (Unaudited)	2018 HK\$’000 (Audited)
Deferred tax assets	61,396	110,990
Deferred tax liabilities	(69,596)	(63,602)
	(8,200)	47,388

23. Deferred Taxation (continued)

The movements in deferred tax liabilities during the year/period are as follows:

	Temporary difference on provision for impairment of advances to customers in margin financing, other loans and advances and accounts receivable HK\$'000	Tax losses HK\$'000	Temporary difference on net unrealised gain on financial assets/ liabilities at FVTPL HK\$'000	Total HK\$'000
At 1 January 2018	8,522	–	(166,102)	(157,580)
Credited to profit or loss	745	101,723	102,500	204,968
At 31 December 2018 (audited)	9,267	101,723	(63,602)	47,388
Charged to profit or loss	(104)	(3,323)	(52,161)	(55,588)
At 30 June 2019 (unaudited)	9,163	98,400	(115,763)	(8,200)

At the end of the reporting period, the Group has unused tax losses of approximately HK\$2,731,576,000 (31 December 2018: HK\$1,901,290,000) available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. A deferred tax asset has been recognised in respect of HK\$596,364,000 (31 December 2018: HK\$616,500,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$2,135,212,000 (31 December 2018: 1,284,790,000) due to the unpredictability of future profit streams. The Group does not have tax losses arising in the Mainland China as at 30 June 2019 (2018: Nil).

At the end of the reporting period, the Group has deductible temporary differences of HK\$284,315,000 (31 December 2018: HK\$274,861,000). A deferred tax asset has been recognised in respect of HK\$55,533,000 (31 December 2018: HK\$56,164,000). No deferred tax asset has been recognised in respect of the remaining HK\$228,782,000 (31 December 2018: HK\$218,697,000) in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

23. Deferred Taxation (continued)

At 30 June 2019, in the opinion of the directors that there was no significant unrecognised deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in Mainland China that are subject to withholding taxes.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

24. Share Capital

	Number of shares '000	Total value HK\$'000
Authorised		
Ordinary shares of HK\$0.001 each at 30 June 2019 and 31 December 2018	1,000,000,000	1,000,000
Issued and fully paid		
At 1 January 2018, 31 December 2018, 1 January 2019 (audited) and 30 June 2019 (unaudited)	3,588,466	3,588

25. Repurchase Agreements

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Analysed by collateral type:		
Bonds	1,748,791	2,304,648
Preference shares	1,390,324	1,821,328
	3,139,115	4,125,976
Analysed by market:		
Inter-bank market	3,139,115	4,125,976

As at 30 June 2019, the Group entered into repurchase agreements with different financial institutions to sell bonds and preference shares recognised as financial assets at FVTPL and FVTOCI with carrying amount of approximately HK\$2,993,984,000 and HK\$2,490,082,000 (31 December 2018: financial assets at FVTPL of HK\$3,493,730,000 and financial assets at FVTOCI of HK\$2,690,379,000), respectively, which are subject to the simultaneous agreements to repurchase these investments at the agreed date and price. These bonds and preference shares are not derecognised from the financial statements but regarded as “collateral” for the liabilities because the Group retains substantially all the risks and rewards of these bonds and preference shares.

26. Perpetual Capital Securities Classified as Equity Instruments

	Principal HK\$'000	Distribution HK\$'000	Total HK\$'000
Balance at 1 January 2018	1,186,854	22,364	1,209,218
Profit attributable to holder of perpetual capital securities	–	66,083	66,083
Distribution relating to perpetual capital securities	–	(66,932)	(66,932)
Balance at 31 December 2018 (audited)	1,186,854	21,515	1,208,369
Profit attributable to holder of perpetual capital securities	–	33,054	33,054
Distribution relating to perpetual capital securities	–	(33,618)	(33,618)
Balance at 30 June 2019 (unaudited)	1,186,854	20,951	1,207,805

Note: In 2017, the Company issued perpetual capital securities with the principal amount of US\$152,964,000 (equivalent to approximately HK\$1,190,323,000) to CHIH, an intermediate holding company of the Company, with an issuing cost approximately HK\$3,469,000. The perpetual capital securities are classified as equity instruments, as there is no maturity of the instruments and the payments of distribution can be deferred into perpetuity at the discretion of the Company. When the Company elects to distribute, the distribution to the holder of perpetual capital securities shall be made at the distribution rate as set out in the subscription agreement.

27. Disposal of Subsidiaries

On 25 April 2018, the Group entered into the sales and purchase agreement with an independent third party (“**Purchaser**”) under which the Group agreed to sell and the Purchaser agreed to purchase the shares of Concept Pioneer Limited (“**Concept Pioneer**”), a wholly owned subsidiary of the Company, and the shareholders’ loan from the Group to Concept Pioneer at the total consideration of HK\$703.3 million (“**Disposal**”). The Disposal has been fully settled and completed on 29 June 2018.

As at 29 June 2018, the shareholders’ loan from the Group to Concept Pioneer was HK\$585.3 million. Accordingly, the consideration for the sales of shares of Concept Pioneer is HK\$118 million.

Analysis of assets and liabilities over which control was lost:

	29 June 2018 HK\$’000 (Unaudited)
Loans and receivables	507,934
Financial assets at fair value through other comprehensive income	214,397
Shareholder’s loan	(585,326)
Deferred tax liabilities	(24,466)
Net assets disposed of	112,539
Consideration received:	
Cash received	703,300
Settlement of shareholder’s loan from the Purchaser	(585,326)
Total consideration received	117,974
Gain on disposal of a subsidiary	
Consideration received	117,974
Net assets disposed of	(112,539)
	5,435

28. Related Party Transactions

In addition to the transactions and balances disclosed elsewhere to the condensed consolidated financial statements, the Group had the following related party transactions during the period:

- (a) Compensation of key management personnel of the Group, including directors' and the chief executive's remuneration, is as follows:

	Six months ended	
	30 June 2019 HK\$'000 (Unaudited)	30 June 2018 HK\$'000 (Unaudited)
Short term employee benefit	2,267	4,701

- (b) During the period ended 30 June 2019, the Group had the following material transactions with related parties:

	Six months ended	
	30 June 2019 HK\$'000 (Unaudited)	30 June 2018 HK\$'000 (Unaudited)
Interest expenses to an intermediate holding company (Note (i))	450,295	446,326
Interest expense to the ultimate holding company (Note (ii))	70,236	23,881
Underwriting income from a fellow subsidiary (Note (iii))	–	4,002
Interest income from amount due from an associate	11,699	45,920

Notes:

- (i) During the period, CHIH, an intermediate holding company provided an aggregate amount of approximately US\$1,825,958,000 (31 December 2018: US\$2,763,331,000), approximately HK\$14,270,187,000 (31 December 2018: approximately HK\$21,644,937,000) company loans. The loans bear annual interest rate ranging from 3.85% to 7.98% per annum (31 December 2018: 3.85% to 7.98% per annum) and repayable in one month to eight years (31 December 2018: one month to nine years) from the end of the reporting period. Approximately HK\$102,358,000 (31 December 2018: HK\$205,866,000) interest payables are incurred from the loans as at 30 June 2019.

28. Related Party Transactions (continued)

(b) (continued)

Notes: (continued)

- (ii) During the period, China Huarong, the ultimate holding company provided an aggregate amount of RMB1,595,000,000 (31 December 2018: RMB1,569,000,000), approximately HK\$1,813,200,000 (31 December 2018: HK\$1,790,687,000) company loans. The loans bear annual interest rate ranging from 6.87% to 8.24% (31 December 2018: 6.87% to 6.97%) and repayable in one month to eight months (31 December 2018: 2 month to 1 year).
- (iii) During the period ended 30 June 2019, the Group earned underwriting income of nil (30 June 2018: HK\$4,002,000) from its fellow subsidiary, Huarong Finance 2017 Co., Ltd in respect of the issuance of medium term notes.

The Group is indirectly controlled by China Huarong, which is indirectly controlled by the PRC government through the Ministry of Finance (the “**MOF**”). MOF is the major shareholder of China Huarong as at 30 June 2019. For the current period, in addition to those disclosed above, the Group has undertaken transactions with certain entities directly or indirectly owned by the PRC government, including but not limited to receiving loan facilities, rendering underwriting services. The Group is of opinion that these transactions are in normal business terms that do not require separate disclosure.

29. Fair Value and Fair Value Hierarchy of Financial Instruments

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

Some of the Group's financial assets (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 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).

29. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

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

An analysis of the Group's financial assets (liabilities) measured at fair value as at 30 June 2019 and 31 December 2018 are as follows:

	Fair value as at 30 June 2019 '000	Fair value as at 31 December 2018 '000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Reasonable change in key inputs +/-	Increase (decrease) in fair value of financial instruments by reasonable changes in significant inputs
Financial assets							
1) Financial assets at FVTPL	Listed equity investments: - HK\$1,325,304	Listed equity investments: - HK\$2,247,212	Level 1	Note (a)	N/A	N/A	N/A
2) Financial assets at FVTPL	Unlisted put option: - HK\$766,332	Unlisted put option: - HK\$231,729	Level 3	Note (i)	Expected volatility of ranging from 34.47% to 106.70% (2018: 40.08% to 43.91%)	10% (volatility ranging from 31.02% to 117.37%) (2018: 36.07% to 48.30%)	Increase/decrease in volatility: HK\$11,003,000/ HK\$(9,006,000) (2018: HK\$18,860,622/ HK\$(19,041,763))
3) Financial assets at FVTPL	Listed debt investments - HK\$441,713	Listed debt investments - HK\$474,693	Level 2	Note (b)	N/A	N/A	N/A
4) Financial assets at FVTPL	Listed preference shares - HK\$2,623,494	Listed preference shares - HK\$3,173,540	Level 2	Note (b)	N/A	N/A	N/A
5) Financial assets at FVTPL	Unlisted convertible bonds and convertible notes: - HK\$796,481	Unlisted convertible bonds and convertible notes: - HK\$1,623,055	Level 3	Note (c)	Expected volatility of 42.77% (2018: ranging from 56.33% to 124.60%) Discount rates of 9.17% (2018: ranging from 10.91% to 26.42%)	10% (volatility of 38.50% and 47.05%) (2018: ranging from 50.88% to 137.06%) 10% (discount rate of 8.25% and 10.09%) (2018: ranging from 9.82% to 29.06%)	Increase/decrease in volatility: HK\$297,000/HK\$(219,000) (2018: HK\$1,696,000/ HK\$(2,033,000)) Decrease/increase in discount rate: HK\$3,378,000/ HK\$(3,333,000) (2018: HK\$11,988,000/ HK\$(11,719,000))

29. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

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

	Fair value as at 30 June 2019 '000	Fair value as at 31 December 2018 '000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Reasonable change in key inputs +/-	Increase (decrease) in fair value of financial instruments by reasonable changes in significant inputs
Financial assets (continued)							
6) Financial assets at FVTPL	Unlisted convertible bonds and convertible notes: - HK\$477,500	Unlisted convertible bonds and convertible notes: - HK\$52,500	Level 3	Note (d)	Discount rate of ranging from 14.07% to 33.35% (2018: 35.35%)	10% (discount rate ranging from 12.66% to 36.69%) (2018: ranging from 31.82% to 38.89%)	Decrease/increase in discount rate: HK\$14,260,000/ HK\$(10,503,000) (2018: HK\$2,013,000/ HK\$(2,096,000))
7) Financial assets at FVTPL	Unlisted convertible bonds with put option: - HK\$192,500	Unlisted convertible bonds with put option: - HK\$192,500	Level 3	Note (d)	Discount rate of 34.98% (2018: 33.70%)	10% (discount rate of 31.48% and 38.48%) (2018: 30.33% and 37.07%)	Decrease/increase in discount rate: HK\$7,839,000/ HK\$(6,645,000) (2018: HK\$7,117,000/ HK\$(7,424,000))
8) Financial assets at FVTPL	Unlisted fund investments - HK\$1,676,874	Unlisted fund investments - HK\$2,235,124	Level 2	Note (g)	N/A	N/A	N/A
9) Financial assets at FVTPL	Unlisted fund investments - HK\$377,996	Unlisted fund investments - HK\$4,825,843	Level 3	Note (h)	Net asset value	10%	Increase/decrease in net asset value of HK\$42,146,000/ HK\$(42,146,000) (2018: HK\$402,874,000/ HK\$(402,874,000))
10) Financial assets at FVTPL	Unlisted preference shares - HK\$360,000	Unlisted preference shares - HK\$360,000	Level 3	Note (d)	Discount rate of 83.69% (2018: 73.32%)	10% (discount rate of 75.32% and 92.06%) (2018: 65.98% and 80.66%)	Decrease/increase in discount rate: HK\$27,696,000/ HK\$(21,865,000) (2018: HK\$32,507,000/ HK\$(28,630,000))
11) Financial assets classified as FVTOCI investments	Listed bond securities - HK\$5,031,858	Listed bond securities - HK\$5,624,683	Level 2	Note (b)	N/A	N/A	N/A

29. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

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

	Fair value as at 30 June 2019 '000	Fair value as at 31 December 2018 '000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Reasonable change in key inputs +/-	Increase (decrease) in fair value of financial instruments by reasonable changes in significant inputs
Financial liabilities							
1) Payables to interest holders of unlisted consolidated investment funds, measured at FVTPL	Non-controlling interests in consolidated investment fund: - HK\$308,505	Non-controlling interests in consolidated investment fund: - HK\$322,453	Level 2	Note (e)	N/A	N/A	N/A
2) Payables to interest holders of unlisted consolidated investment funds, measured at FVTPL	Non-controlling interests in consolidated investment fund: - HK\$nil	Non-controlling interests in consolidated investment fund: - HK\$78,976	Level 3	Note (f)	Expected volatility of nil (2018: 56.53%) Discount rate of nil (2018: 18.52%)	10% (volatility of nil) (2018: 50.88% to 62.18%) 10% (discount of nil) (2018: 16.67% to 20.38%)	Increase/decrease in volatility: nil (2018: HK\$1,656,000/ HK\$(868,000)) Decrease/increase in discount rate: nil (2018: HK\$180,000/ HK\$(178,000))

Notes:

- Quoted bid price in an active market.
- The fair value was determined with reference to quoted price provided by brokers/financial institutions.
- Discounted cash flows model for debt component. The key inputs are credit rating of the issuer, cash flows, discount rate and remaining time to maturity. Binomial option pricing model for equity component. The key inputs are exercise price of the options, current share price of the underlying assets of the options, expected volatility, time to maturity, risk free rate, dividend yield and discount rate.
- The fair value was determined by adopting the discounted cash flows model. Future cash flows are estimated based on expected cash flows discounted at rate taking into account of the credit risk of the issuer and the management estimate on the debt restructuring status and development.
- Share of net asset value based on (i) the fair value of underlying investments which are publicly traded equity investments and (ii) the terms of the consolidated investment funds.

29. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

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

Notes: (continued)

- (f) Share of net asset value based on (i) the fair value of unlisted convertible investments and (ii) the terms of the consolidated investment fund.
- (g) Dealing price of the investment funds derived from the net asset values of the investment funds with reference to observable quoted price of underlying investment portfolio in active markets.
- (h) The fair value is determined with reference to the net asset value of the unlisted equity and partnership investments which are the deemed resale price of the investments provided by the external counter-parties. The directors have determined that the reported net asset values represent fair value of these investments.
- (i) The fair value was determined based on option pricing model with exercise price of the options, current share price of the underlying assets of the options, expected volatility, time to maturity, risk free rate, dividend yield and discount rate.

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

There was no transfers of fair value measurements between different levels in the current interim and prior periods.

29. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

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

The reconciliation of the Group's Level 3 fair value measurements of financial assets and financial liabilities are as follows:

	30 June 2019 HK\$'000 (Unaudited)	30 June 2018 HK\$'000 (Unaudited)
Financial assets at FVTPL:		
At beginning of the period	7,285,627	3,808,236
Disposed during the period	(4,778,394)	(66,726)
Total gain (losses) in profit or loss	463,576	(574,774)
At end of the period	2,970,809	3,166,736
Financial liabilities at FVTPL:		
At beginning of the period	78,976	223,762
Net losses during the period	59,552	81,670
Settled during the period	(138,528)	-
At end of the period	-	305,432
Financial assets at FVTOCI:		
At beginning of the period	-	214,467
Fair value loss recognised on financial assets at FVTOCI	-	(70)
Disposed during the period	-	(214,397)
At end of the period	-	-

For the period ended 30 June 2019, of the total gains or losses for the period included in profit or loss, unrealised gain of HK\$484,708,000 and nil (2018: unrealised loss of HK\$574,774,000 and loss of HK\$81,670,000) relates financial assets at FVTPL and financial liabilities at FVTPL at the end of each reporting period respectively. Fair value gains or losses on financial assets at FVTPL are included in 'net gains (losses) on financial assets at fair value through profit or loss' and fair value gains or losses on financial liabilities are included in 'other income and gains or losses, net'.

30. Contingent Liabilities

Regarding the alleged claims against Huarong International Securities Limited (formerly known as United Simsen Securities Limited) (“HISL”), an indirectly wholly-owned subsidiary of the Company, that was previously disclosed in the audited financial statements of the Group for the period from 1 May 2015 to 31 December 2015, the plaintiff did not take any further action since August 2013 and there was no substantial progress up to the date of this report. The Group has sought legal advice on the alleged claims and the Directors consider that HISL has good defence and has a strong case to pursue its counterclaim against the plaintiff. The Directors consider that it is not probable that an outflow of resources embodying economic benefits will be required to settle these alleged claims.

Save as disclosed above, the Group had no other material contingent liabilities at 30 June 2019 and 31 December 2018.

31. Dividends

During the period, no dividend (six months ended 30 June 2018: a final dividend of HK\$1.70 cents per ordinary share for the year ended 31 December 2017) was paid to the shareholders of the Company. The 2017 final dividend was paid on 20 June 2018, with a total of approximately HK\$61 million.

The Board has resolved not to declare the payment of any interim dividend for the six months ended 30 June 2019 (30 June 2018: nil).

32. Events After the end of the Reporting Period

The Group has entered into a discloseable transaction as defined in the Listing Rules after the period ended 30 June 2019, details of which are set out in the relevant announcements published in the websites of the Stock Exchange and the Company.

SUPPLEMENTARY INFORMATION

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2019, none of the Directors nor chief executive of the Company or their respective associates had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules.

Share Option Scheme

Pursuant to an ordinary resolution passed at the annual general meeting held on 9 September 2011, a share option scheme (the "**Scheme**") was adopted. The Scheme became effective on 9 September 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The purpose of the Scheme is to enable the Group to grant options to the Eligible Participants (as defined below) as incentives or rewards for their contribution to the Group.

The maximum number of Shares issuable under share options to each Eligible Participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at the exercise date. Any further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting.

The Directors shall, in accordance with the provisions of the Scheme, be entitled but shall not be bound at any time during which the Scheme is effective to make an offer to any person belonging to the following classes of participants (the "**Eligible Participants**") to subscribe:

- (a) any employee who is an employee (whether full time or part time, including any executive director but excluding any non-executive director) of the Company, any subsidiary of the Company (the "**Subsidiary**") or any entity in which any member of the Group holds any equity interest (the "**Invested Equity**");
- (b) any non-executive directors (including independent non-executive directors) of the Company, any Subsidiary or any Invested Entity;
- (c) any supplier of goods or services to any member of the Group or any Invested Entity;
- (d) any customer of the Group or any Invested Entity;

- (e) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;
- (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (g) any other group or classes of participants from time to time determined by the directors of the Company as having contributed or may contribute by way of joint venture and business alliance to the development and growth of the Group; and
- (h) any company wholly owned by one or more Eligible Participants.

Share options to be granted to a Director, chief executive or substantial Shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors.

In addition, any share options granted to a substantial Shareholder or an independent non-executive Director, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to Shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of offer of the share options.

The subscription price of the share options is determinable by the Directors, but must be at least the higher of (i) the Stock Exchange closing price of the Company's Shares on the date of offer of the share options which must be a business day; and (ii) the average Stock Exchange closing price of the Company's Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer.

No share options were granted, outstanding, exercised, cancelled or lapsed under the Scheme during the Period. As at the date of this report, the number of share options available for issue under the Scheme was 327,810,791, representing approximately 9.14% of the total number of issued Shares as at the date of this report. A summary of the principal terms of the Scheme is set out in Appendix I to the circular of the Company dated 11 August 2011.

Interests and Short Positions of Substantial Shareholders

As at 30 June 2019, so far as was known to the Directors and the chief executive of the Company, the following persons or corporations (other than a Director or chief executive of the Company) who had interests and/or short positions in the Shares and underlying Shares of the Company which would be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Capacity/ Nature of interest	Long position/ Short position	Number of Shares held	Approximate percentage of the issued share capital of the Company as at 30 June 2019
China Huarong (Note 1(a))	Interests in controlled corporation	Long position	1,830,117,664	51.00%
China Huarong (Note 1(b))	Interests in controlled corporation	Long position	775,220,529	21.60%
CHIH (Note 1(a))	Interests in controlled corporation	Long position	1,830,117,664	51.00%
Camellia Pacific Investment Holding Limited ("Camellia") (Note 1(a))	Beneficial owner	Long position	1,830,117,664	51.00%
Shinning Rhythm Limited ("Shinning Rhythm") (Note 1(b))	Security interest	Long position	775,220,529	21.60%
Huarong Huaqiao Asset Management Co., Ltd. ("Huarong Huaqiao") (Note 1(b))	Interests in controlled Corporation	Long position	775,220,529	21.60%
Guangdong Jinfeng Group Co., Ltd. (廣東錦峰集團有限公司) ("Guangdong Jinfeng") (Note 1(b))	Interests in controlled Corporation	Long position	775,220,529	21.60%
Mr. Sun Siu Kit (Note 1(b))	Interests in controlled corporation	Long position	775,220,529	21.60%
Hero Link Enterprises Limited ("Hero Link") (Note 2)	Beneficial owner	Long position	129,000,000	3.59%

Name of Shareholder	Capacity/ Nature of interest	Long position/ Short position	Number of Shares held	Approximate percentage of the issued share capital of the Company as at 30 June 2019
China Tian Yuan International Finance Limited ("Tian Yuan Int'l") (Note 2)	Beneficial owner	Long position	646,220,529	18.01%
	Interests in controlled corporation	Long position	129,000,000	3.59%
China Tian Yuan Finance Group (Holdings) Limited ("Tian Yuan Group") (Note 2)	Interests in controlled corporation	Long position	775,220,529	21.60%
Mr. Jia Tianjiang (Note 2)	Interests in controlled corporation	Long position	775,220,529	21.60%
Ms. Dong Jufeng (Note 2)	Interests of spouse	Long position	775,220,529	21.60%

Notes:

1. (a) 1,830,117,664 Shares of the Company were beneficially owned by Camellia which is wholly owned by CHIH. CHIH was in turn owned as to 11.90% by Huarong Zhiyuan Investment & Management Co., Ltd. ("Huarong Zhiyuan") and 88.10% by Huarong Real Estate Co., Ltd., both of which were wholly owned by China Huarong. China Huarong was beneficially owned as to 63.36% by the MOF and was deemed to be owned as to 4.39% by MOF through controlled corporation. Therefore, China Huarong and CHIH were deemed or taken to be interested in all the Shares of the Company beneficially owned by Camellia by virtue of the SFO.
- (b) Shinning Rhythm held security interest in 775,220,529 Shares of the Company and is a wholly-owned subsidiary of China Huarong Overseas Investment Holdings Co., Ltd. ("Huarong Overseas"), which in turn a wholly-owned subsidiary of Huarong Huaqiao. Huarong Huaqiao is owned as to 51% and 40% by Huarong Zhiyuan and Guangdong Jinfeng respectively. Huarong Zhiyuan is a wholly-owned subsidiary of China Huarong. Guangdong Jinfeng is a company wholly owned by Mr. Sun Siu Kit. Accordingly, Huarong Overseas, Huarong Huaqiao, Huarong Zhiyuan, China Huarong, Guangdong Jinfeng and Mr. Sun Siu Kit are deemed to be interested in the underlying Shares of the Company held by Shinning Rhythm by virtue of the SFO.
2. Tian Yuan Group is deemed or taken to be interested in (i) 129,000,000 Shares of the Company held by Hero Link which is held as to 82% by Tian Yuan Int'l; and (ii) 646,220,529 Shares of the Company held by Tian Yuan Int'l. Tian Yuan Int'l is a wholly-owned subsidiary of Tian Yuan Group which, in turn is wholly-owned by Mr. Jia Tianjiang. By virtue of the SFO, Tian Yuan Int'l, Tian Yuan Group, Mr. Jia Tianjiang and his spouse Ms. Dong Jufeng were deemed or taken to be interested in 775,220,529 Shares of the Company. An interest in the 775,220,529 Shares deemed or taken to be interested by Tian Yuan Int'l, Tian Yuan Group, Mr. Jia Tianjiang and Ms. Dong Jufeng has also been granted as security to a person other than a qualified lender.

Saved as disclosed above, as at 30 June 2019, no other persons (other than a Director or chief executive of the Company) who had any interest or short position in any Shares or underlying Shares of the Company which would be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO or which have been notified to the Company and the Stock Exchange.

Events After the End of the Period

After the Period, the Company has entered into a discloseable transaction for the disposal of a subsidiary but completion of the transaction did not take place. For further details, please refer to the announcements of the Company dated 29 July 2019 and 27 August 2019. The Company also renewed a revolving short term advance facility of up to US\$40,000,000 to 30 June 2020. For further details, please refer to the announcement of the Company dated 2 September 2019. Save as the disclosed herein, the Group has no other significant events subsequent to the Period and up to the Latest Practicable Date.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

Compliance with Corporate Governance Code

Throughout the Period, the Company has complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. In response to specific enquiry made by the Company, all Directors confirmed that they have fully complied with the required standards as set out in the aforementioned Model Code throughout the Period.

Changes in Directors and Information of Directors

Pursuant to Rule 13.51(B) of the Listing Rules, changes in Directors and information of Directors subsequent to the date of the 2018 annual report of the Company to the Latest Practicable Date are as follows:

- (1) Mr. Bai Junjie resigned as an executive Director and the Chairman of the Company on 8 July 2019;
- (2) Mr. Yu Meng was appointed as an executive Director and the Chairman of the Company on 8 July 2019; and
- (3) Mr. Guan Huanfei, an independent non-executive Director, was appointed as an independent non-executive director of Solis Holdings Limited, a company listed on the Stock Exchange (stock code: 2227), with effect from 23 August 2019.

Continuing Disclosure Pursuant to Rule 13.18 and Rule 13.21 of the Listing Rules

As at 30 June 2019, details of existing banking facilities with covenants relating to specific performance of the Company's controlling shareholder which constitute disclosure obligation pursuant to Rule 13.18 and Rule 13.21 of the Listing Rules are as follows:

Date of Agreements	Nature of Agreements	Aggregate Amount	Life of the Facility	Specific Performance Obligations
29 June 2017	Revolving credit facility with a bank	US\$40,000,000	No fixed term and repayable on demand by the bank	Note 1
8 October 2018	Revolving short term advance facility with a bank	US\$40,000,000	No fixed term but subject to review by the bank on 30 June 2019 and thereafter to an annual review	Note 2
8 October 2018	Margin security facility	HK\$500,000,000	Repayable on demand upon request by the bank or otherwise shall continue up to and including 30 June 2019	Note 3
14 January 2019	Uncommitted revolving loan facility with a bank	US\$200,000,000	No fixed term but subject to review the bank's review on or before 30 June 2019 or at such other times as the bank deems fit	Note 4
21 February 2019	Uncommitted revolving loan facility with a bank	US\$100,000,000	Up to 28 November 2019, extendable for another year at the bank's sole discretion	Note 5
21 May 2019	Revolving loan facilities with a bank	HK\$600,000,000	No fixed term and are repayable on demand by the bank	Note 6

Notes:

1. During the term of the facility letter, the Company shall be directly or indirectly at least 51% beneficially owned and controlled by China Huarong, which in turn shall have the MOF as its controlling shareholder. In addition, China Huarong shall maintain the absolute management control over the Company.
2. During the term of the facility, the Company shall be directly or indirectly at least 51% beneficially owned and controlled by China Huarong, which in turn shall have the MOF as its controlling shareholder.
3. During the term of the facility, HISL shall be directly or indirectly wholly owned by the Company, which in turn shall be directly or indirectly at least 51% beneficially owned and controlled by China Huarong.
4. As long as the facility remains outstanding, China Huarong has undertaken to, among others, maintain its status as the Company's controlling shareholder.
5. China Huarong, the controlling shareholder of the Company, has undertaken to maintain its status as the Company's controlling shareholder as long as the facility remains outstanding. In addition, under the facility letter, the Company shall be directly or indirectly at least 51% beneficially owned and controlled by China Huarong throughout the life of the facility.
6. China Huarong has undertaken to continuously maintain control over HISL as long as the facilities remain outstanding. In addition, under the facility letter, China Huarong shall maintain, directly or indirectly, majority and beneficial ownership of the HISL at all times.

Details of the above mentioned banking facilities are set out in the announcements of the Company dated 29 June 2017, 8 October 2018, 14 January 2019, 21 February 2019, and 21 May 2019.

Review of the Interim Financial Statements

The audit committee of the Company has reviewed the interim unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2019, including the accounting principles and practices adopted by the Group.

The Group's external auditor, Messrs. Deloitte Touche Tohmatsu, has carried out a review of the interim unaudited condensed consolidated financial statements in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the HKICPA.

DEFINITIONS

“Board”	board of Directors of the Company
“CHIH”	China Huarong International Holdings Limited, a company with limited liability incorporated in Hong Kong and a controlling shareholder (as defined in the Listing Rules) of the Company
“China” or “Mainland China” or “PRC”	People’s Republic of China
“China Huarong”	China Huarong Asset Management Co., Ltd. (中國華融資產管理有限公司), a company established in the PRC and a controlling shareholder (as defined in the Listing Rules) of the Company
“Company”	Huarong International Financial Holdings Limited
“Corporate Governance Code”	Corporate Governance Code and Corporate Governance Report, Appendix 14 of the Listing Rules
“Director(s)”	Director(s) of the Company
“GDP”	gross domestic product
“Group”	the Company and its subsidiaries
“HISL”	Huarong International Securities Limited (formerly known as United Simsen Securities Limited), an indirectly wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKAS”	Hong Kong Accounting Standards
“HKFRS”	Hong Kong Financial Reporting Standards
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“Hong Kong”	Hong Kong Special Administrative Region of PRC

“Last Period”	the period for the six months ended 30 June 2018
“Latest Practicable Date”	16 September 2019, being the latest practicable date prior to the printing of this interim report for the purpose of ascertaining certain information contained in this interim report
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange (as amended, modified or otherwise supplemented from time to time)
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers
“MOF”	Ministry of Finance
“Period”	the period for the six months ended 30 June 2019, being the financial reporting period of this interim report
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollar, the lawful currency of the United States
“%”	per cent.



華融國際金融控股有限公司

HUARONG INTERNATIONAL FINANCIAL HOLDINGS LIMITED