



華融國際金融控股有限公司

HUARONG INTERNATIONAL FINANCIAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability) (Stock Code: 993)



2020
Interim Report

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Yang Rungui (*Chairman*)
Mr. Wang Junlai (*Chief Executive Officer*)

Non-executive Director

Ms. Wang Qi

Independent Non-executive Directors

Mr. Hung Ka Hai Clement
Mr. Ma Lishan
Mr. Guan Huanfei

Audit Committee

Mr. Hung Ka Hai Clement (*Chairman*)
Mr. Ma Lishan
Mr. Guan Huanfei

Remuneration Committee

Mr. Guan Huanfei (*Chairman*)
Mr. Hung Ka Hai Clement
Mr. Ma Lishan

Nomination Committee

Mr. Hung Ka Hai Clement (*Chairman*)
Mr. Yang Rungui
Mr. Ma Lishan
Mr. Guan Huanfei

Executive Committee

Mr. Yang Rungui (*Chairman*)
Mr. Wang Junlai

Risk Management Committee

Mr. Ma Lishan (*Chairman*)
Mr. Yang Rungui
Mr. Wang Junlai
Ms. Wang Qi

Authorised Representatives

Mr. Wang Junlai
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

Unit A, 16/F & Unit A, 17/F
Two Pacific Place
88 Queensway, Hong Kong

Resident Representative

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

Principal Bankers

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

Auditor

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

Hong Kong Legal Adviser

Latham & Watkins LLP
18th Floor
One Exchange Square
8 Connaught Place
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

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Website

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MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

For the Period, the Group recorded a revenue of approximately HK\$361,852,000 (Last Period: approximately HK\$954,154,000), net loss on financial assets at fair value through profit or loss of approximately HK\$276,054,000 (Last Period: net gain of approximately HK\$378,252,000), net loss arising from disposal of financial assets at fair value through other comprehensive income of approximately HK\$16,166,000 (Last Period: loss of approximately HK\$9,667,000). Therefore, total revenue, investment gains and losses described above amounted to approximately HK\$69,632,000 (Last Period: net gains of approximately HK\$1,322,739,000). Net losses for the Period were approximately HK\$475,020,000 (Last Period: loss of approximately HK\$230,752,000), while loss attributable to the Shareholders for the Period was approximately HK\$507,975,000 (Last Period: loss of approximately HK\$263,806,000). The increase in loss attributable to Shareholders for the Period was principally due to a significant decrease in the revenue during the Period and a significant increase in the unrealised (non-cash) loss arising from the adverse fair value change of the financial assets at fair value through profit or loss during the Period. However, provisions for the receivables, loans and advances in margin financing of the Group and finance costs for the Period both decreased, which narrowed the range of the net loss of the Group.

Basic loss per Share was HK14.16 cents for the Period as compared to basic loss per Share of HK7.35 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 2020, the world economy experienced significant volatility. The global pandemic of coronavirus (hereafter referred as “COVID-19”), together with global economic and trade frictions and tensed geopolitical relations, struck a heavy blow on the world economy. In order to curb the spread of the pandemic, most of the economies implemented quarantine and regional lockdown measures which limited factor mobility and foreign exchange to a great extent, creating enormous impact on production and trading activities. According to the estimate of the International Monetary Fund, global growth is projected to be -4.9% in 2020, while global economy is projected to contract by 3%. To relieve the tremendous economic downward pressure, many countries promulgated large-scale fiscal and monetary stimulus policies in a row to maintain the current economic operation.

As a result, the consumption, investment and export in China took great hit, posing a tough challenge to China’s economy in the first quarter. Facing the pandemic and the prevailing global situation, China adopted a series of unusual measures with which it took the lead to contain the pandemic in the world and resumed normal operation and production entirely. In the second quarter, under the support of a series of economic control and regulatory policies introduced by the Chinese government, China’s economy rebounded rapidly to become the first among the world’s major economies to recoup. The GDP in the second quarter increased by 3.2% year-on-year, indicating the swift recovery of national economy in a stable and positive manner.

Affected by a combination of factors including the COVID-19 pandemic, the contraction of global economy and the social events in Hong Kong, the four pillar industries in Hong Kong have suffered from the most severe economic downturn in the decade. Following the implementation of the Hong Kong national security law, Hong Kong will benefit from the stabilised social environment to give full play to its competitive edges. With the economic turnaround and the furtherance of reform and opening up in mainland China, Hong Kong is also expected to take advantages of the major national development strategies such as Guangdong-Hong Kong-Macau Greater Bay Area and the Belt and Road Initiative, and achieve gradual economic recovery from the plight.

Business Review

In the first half of 2020, the complicated and ever-changing economic environment coupled with the impact of the COVID-19 pandemic created pressure on the market as a whole. These factors inevitably caused adverse impact on the financial performance of the Group in the first half of the year. Confronting the challenging external environment, the Group adhered to the strategy of making steady progress by enhancing risk management and control and returning to its core business. While seizing market opportunities arising in this special period with the full play of the synergic effect of its licence business, the Group also continued to explore business opportunities and expedited the business transformation and development.

During the Period, in view of the development of the COVID-19 pandemic, the Group also took various prevention measures and adopted a flexible working policy under which our employees are arranged to work from home by turns, so as to ensure normal business operation while attending to the family and personal health and safety of our employees.

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 and structured finance. Under austere circumstances in the first half of 2020, the Group adopted a cautious approach to review its investment portfolio, strengthened various risk management and control measures such as those for market risks and credit risks, reviewed the operation of counterparties and the value of collaterals on a continuous basis, formulated corresponding risk prevention measures and enhanced post-investment management. Meanwhile, the Group proactively explored innovative business for non-performing assets with a focus on special opportunity investment funds, providing ancillary asset management service complementary to the Group's core businesses. For the Period, the segment revenue and investment losses was approximately HK\$98,439,000 as compared to a segment revenue and investment gains of approximately HK\$1,043,898,000 for the Last Period. The decrease in investment gains was mainly due to the increase in net losses on financial assets at fair value through profit or loss. The segment result was loss of approximately HK\$93,429,000 as compared to a profit of approximately HK\$1,016,788,000 for the Last Period.

Securities

Securities business segment includes provision of brokerage services, margin financing and stocks, futures and options trading services. In the first half of the year, the Group addressed effectively the adverse impact caused by the COVID-19 pandemic on the expansion of the securities business. We continued to foster compliant business operation, seized the opportunities in the active trading market, and made greater marketing efforts, hence achieving steady improvement in the operating results of the securities business. For the Period, the revenue and other gains from the securities segment was approximately HK\$114,605,000, as compared to approximately HK\$222,744,000 for the Last Period. The segment result amounted to a loss of approximately HK\$10,221,000, as compared to loss of approximately HK\$462,370,000 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 2020, the Group conducted the sale of USD bond to clients through multiple channels and promoted steady business development. For the Period, revenue from the corporate finance segment amounted to approximately HK\$235,000 as compared to revenue of approximately HK\$13,261,000 for the Last Period; the segment result for the Period was loss of approximately HK\$1,520,000 as compared to gain of approximately HK\$4,706,000 for the Last Period.

Prospects

In the second half of 2020, as the COVID-19 pandemic sustains, many economies have been maintaining lockdown measures in a bid to contain the outbreak, causing tremendous uncertainties to the world economy. China's economy will continue to face considerable challenges. Nevertheless, with the pandemic receding in China, macro policies starting to take effect and market expectations improving, the unleashing of suppressed consumption and investment demand is accelerating, thereby expediting the recovery of China's economy. China's economy is expected to be the first among the world's economies to recoup, which serves as a strong engine for the recovery of the world economy. Following the third wave of outbreak, Hong Kong's severely-hit economy even aggravated. According to the estimate of Morgan Stanley, the annual GDP of Hong Kong may contract by 9.5% in the worst scenario and may take over two years to revert to the level before the outbreak. After the promulgation of the Hong Kong national security law, the prosperity and stability of Hong Kong can be ensured, laying solid foundation for economic recovery. Driven by the opportunities arising from the recovery of China's economy, Hong Kong's economy will embrace development opportunities in the long term.

In face of pressure on multiple fronts, the Group will closely monitor global developments, national policies and market dynamics, seeking to conquer difficulties and hardships and seize hold of strategic opportunities. The Group will also realise transformational development in adherence to the general principle of making steady progress with an emphasis on quality improvement and efficiency enhancement. On 3 July 2020, the Group put forward a proposal of privatisation to HRIV, which, if approved, will create a unified platform. Such combination is conducive to HRIF by achieving economies of scale and cost savings, facilitating steady growth of our license business. Under the strong support of China Huarong, the unified platform will enable more efficient and focused use of the network and resources of the China Huarong brand. HRIV's rich client resources could also effectively strengthen HRIF's businesses. After the combination, the Group will be more well-positioned to implement the development strategies of "investment + corporate finance" and "license + core business", thus enhancing our long-term potential and realising long-term growth.

Financial Review

Capital Structure

As at 30 June 2020, 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\$2,336,781,000 as compared to approximately HK\$1,329,097,000 as at 31 December 2019, representing an increase of approximately 75.8%.

Liquidity and Financial Resources

The Group reviews its liquidity position regularly and manages liquidity and financial resources actively according to the changes in economic environment and business development needs. As at 30 June 2020, the Group had total cash and cash equivalents amounting to approximately HK\$1,571,377,000 as compared to approximately HK\$3,069,944,000 as at 31 December 2019, excluding client funds that were kept in separate designated bank accounts of approximately HK\$411,822,000 (as compared to HK\$389,202,000 as at 31 December 2019). The Group's gearing ratio as at 30 June 2020 was 346.1% as compared to 879.6% as at 31 December 2019, being calculated as borrowings over the Group's shareholders' equity. The decrease in gearing ratio was attributable to the decrease in the Group's loans in the Period. As at 30 June 2020, the Group obtained shareholder loans in an aggregate principal amount of approximately US\$685,115,000 (equivalent to approximately HK\$5,270,931,000) (31 December 2019: approximately US\$1,161,685,000 (equivalent to approximately HK\$9,048,335,000)) from CHIH to support the business of the Group.

As at 30 June 2020, the Group had undrawn bank facilities of approximately HK\$1,628,998,000 (31 December 2019: approximately HK\$1,625,500,000) and the Group utilised approximately HK\$2,816,032,000 (31 December 2019: approximately HK\$2,642,528,000) of the relevant banking facilities.

As at 30 June 2020, the Group had no bank borrowings in breach of any 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 regulated 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 complied with the liquidity requirements under the Securities and Futures (Financial Resources) Rules.

Charges on Group Assets

As at 30 June 2020, the Group had not pledged any assets (31 December 2019: 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 total revenue. Other foreign currency exposure is relatively minimal when compared 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, the plaintiff and HISL reached a settlement in respect with such proceeding and the consent order made by the Court of First Instance of the High Court of the Hong Kong Special Administrative Region became effective on 9 March 2020. The Directors consider that it is not probable that an outflow of resources embodying economic benefits will be required to settle these alleged claims as at 30 June 2020 and 31 December 2019.

Save as disclosed above, the Group had no other material contingent liabilities at 30 June 2020 and 31 December 2019.

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 and unlisted fund investments. As at 30 June 2020, the Group did not hold any significant investments which constitute 5% or more of its total assets.

Interim Dividend

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

Employee and Remuneration Policy

As at 30 June 2020, the Group employed a total of 54 employees (31 December 2019: 71 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.

INDEPENDENT REVIEW REPORT



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

Introduction

We have reviewed the interim financial information set out on pages 10 to 49, which comprises the condensed consolidated statement of financial position of Huarong International Financial Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 30 June 2020 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 Interim Financial Reporting (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Certified Public Accountants
Hong Kong

26 August 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	NOTES	For the six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue			
Commission and fee income	4	15,889	74,283
Interest income	4	314,775	767,546
Investment income	4	31,188	112,325
		361,852	954,154
Net (loss)/gain on financial assets at fair value through profit or loss		(276,054)	378,252
Net loss arising from disposal of financial assets at fair value through others comprehensive income		(16,166)	(9,667)
Other income and gains or losses, net	5	(45,753)	(27,034)
Brokerage and commission expenses		(4,543)	(4,614)
Administrative and other operating expenses		(75,089)	(75,526)
Impairment losses, net of reversal		(93,164)	(685,703)
Finance costs	6	(317,657)	(696,297)
Share of results of associates	12	–	13,314
Loss before tax	7	(466,574)	(153,121)
Income tax expense	8	(8,446)	(77,631)
Loss for the period		(475,020)	(230,752)
Loss for the period attributable to:			
Owners of the company		(507,975)	(263,806)
Holder of perpetual capital securities		32,955	33,054
		(475,020)	(230,752)
Basic loss per share attributable to owners of the company	9	HK(14.16) cents	HK(7.35) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period	(475,020)	(230,752)
Other comprehensive (loss)/income		
Items that may be reclassified subsequently to profit or loss:		
Fair value (loss)/gain on financial assets at fair value through other comprehensive income	(60,148)	197,329
Net provision for impairment of financial assets at fair value through other comprehensive income included in profit or loss	9,866	6,926
Reclassification adjustments relating to disposal of financial assets at fair value through other comprehensive income during the period	16,166	9,667
Exchange differences on translating foreign operations:		
Exchange differences arising from subsidiaries during the period	(158)	(25)
Exchange differences arising from associates during the period	-	(12)
Other comprehensive (loss)/income for the period	(34,274)	213,885
Total comprehensive loss for the period	(509,294)	(16,867)
Total comprehensive loss for the period attributable to:		
Owners of the company	(542,249)	(49,921)
Holder of perpetual capital securities	32,955	33,054
	(509,294)	(16,867)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	NOTES	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		2,939	2,300
Other long term assets		4,210	4,242
Intangible assets		2,350	2,350
Right-of-use assets		76,092	102,189
Financial assets at fair value through profit or loss	10	1,262,541	1,375,241
Financial assets at fair value through other comprehensive income	11	2,045,189	2,055,607
Amount due from an associate	12	302,805	314,262
Deferred tax assets		52,254	52,232
Total non-current assets		3,748,380	3,908,423
Current assets			
Advances to customers in margin financing	14	616,134	2,883,671
Accounts receivable	15	112,934	103,356
Prepayments, deposits and other receivables		50,478	94,907
Financial assets at fair value through profit or loss	10	2,611,372	3,473,220
Financial assets at fair value through other comprehensive income	11	1,024,477	1,911,824
Other loans and receivables	13	2,997,009	772,017
Amount due from an associate	12	2,008	1,927
Tax recoverable		65,485	58,010
Restricted bank balances	16	411,822	389,202
Cash and cash equivalents	17	1,571,377	3,069,944
Total current assets		9,463,096	12,758,078

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	NOTES	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Current liabilities			
Accounts payable	18	919,941	1,355,529
Other liabilities, payables and accruals	19	130,871	248,122
Interest-bearing borrowings	20	3,180,012	6,241,067
Repurchase agreements	22	1,619,609	1,745,170
Tax payable		27,929	141,097
Lease liabilities		30,194	49,954
Financial liabilities at fair value through profit or loss	10	–	39,023
Total current liabilities		5,908,556	9,819,962
Net current assets		3,554,540	2,938,116
Total assets less current liabilities		7,302,920	6,846,539
Non-current liabilities			
Other liabilities, payables and accruals	19	1,845	1,845
Deferred tax liabilities		10,424	10,427
Interest-bearing borrowings	20	4,906,951	5,449,796
Lease liabilities		46,919	55,374
Total non-current liabilities		4,966,139	5,517,442
Net assets		2,336,781	1,329,097
Capital and reserves			
Equity attributable to owners of the company			
Share capital	21	3,588	3,588
Perpetual capital securities classified as equity investments	23	2,757,363	1,207,430
Share premium and reserves		(424,170)	118,079
Total equity		2,336,781	1,329,097

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the company										
	Issued capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Capital reserves HK\$'000	Statutory reserve HK\$'000	Currency translation reserve HK\$'000	FVTOCI investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	Subtotal HK\$'000	Perpetual capital instruments HK\$'000	Total equity HK\$'000
At 1 January 2019 (audited)	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 of 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 (loss)/income for the period	-	-	-	-	-	(37)	213,922	(263,806)	(49,921)	33,054	(16,867)
Distribution relating to perpetual capital instruments	-	-	-	-	-	-	-	-	-	(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
At 1 January 2020 (audited)	3,588	1,639,533	139,615	636,129	117	1,933	(238,909)	(2,060,339)	121,667	1,207,430	1,329,097
(Loss)/profit for the period	-	-	-	-	-	-	-	(507,975)	(507,975)	32,955	(475,020)
Fair value loss on financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(60,148)	-	(60,148)	-	(60,148)
Net provision of impairment of financial assets at fair value through other comprehensive income included in profit or loss	-	-	-	-	-	-	9,866	-	9,866	-	9,866
Reclassification adjustment relating to disposal of financial assets at fair value through other comprehensive income during the period	-	-	-	-	-	-	16,166	-	16,166	-	16,166
Exchange differences on translation of foreign operations	-	-	-	-	-	(158)	-	-	(158)	-	(158)
Total comprehensive (loss)/income for the period	-	-	-	-	-	(158)	(34,116)	(507,975)	(542,249)	32,955	(509,294)
Issuance of perpetual capital securities during the period	-	-	-	-	-	-	-	-	-	1,550,300	1,550,300
Distribution relating to perpetual capital instruments	-	-	-	-	-	-	-	-	-	(33,322)	(33,322)
At 30 June 2020 (unaudited)	3,588	1,639,533	139,615	636,129	117	1,775	(273,025)	(2,568,314)	(420,582)	2,757,363	2,336,781

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
OPERATING ACTIVITIES		
Loss before tax	(466,574)	(153,121)
Total non-cash adjustments	491,120	216,622
Total working capital adjustments	(19,099)	6,471,256
Cash generated from operations	5,447	6,534,757
Tax paid	(129,114)	(3,960)
Interest received	365,316	702,490
Net cash flows from operating activities	241,649	7,233,287
INVESTING ACTIVITIES		
Interest received from amount due from an associate	9,639	11,591
Decrease in other long term assets	32	–
Purchases of items of property, plant and equipment	(2,735)	(1,684)
Proceeds from disposal of property, plant and equipment	818	–
Purchases of financial assets at fair value through other comprehensive income	–	(55,418)
Proceeds from disposal of financial assets at fair value through other comprehensive income	782,366	862,448
NET CASH FLOWS FROM INVESTING ACTIVITIES	790,120	816,937
FINANCING ACTIVITIES		
Interest-bearing borrowings raised	622,136	1,563,500
Repayment of interest-bearing borrowings	(4,226,036)	(7,602,229)
Interest paid	(301,226)	(796,767)
Repayment of lease liabilities	(28,215)	(21,556)
Withdrawal from second-tier limited partners of consolidated investment fund	(113,815)	(138,528)
Distribution to perpetual capital securities holders	(33,322)	(33,618)
Proceeds on issuance of perpetual capital securities	1,550,300	–
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(2,530,178)	(7,029,198)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,498,409)	1,021,026
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		
– as stated in the condensed consolidated statement of financial position	3,069,944	2,401,797
Effect of foreign exchange rate changes, net	(158)	(174)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	1,571,377	3,422,649

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. General 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 Unit A, 16/F & Unit A, 17/F, Two Pacific Place, 88 Queensway, Hong Kong. The immediate controlling shareholder of the Company is Camellia Pacific Investment Holding Limited which is incorporated in British Virgin Islands and is a wholly-owned subsidiary of China Huarong International Holdings Limited (“**CHIH**”) that is incorporated in Hong Kong. China Huarong Asset Management Co., Ltd. (“**China Huarong**”) a company established in the PRC and whose shares are listed on the Stock Exchange of Hong Kong Limited, became the indirect controlling shareholder of the Company since 2014. China Huarong is indirectly controlled by the PRC Government through the Ministry of Finance (the “**MOF**”).

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 structured finance.

This unaudited interim financial information is presented in thousands of Hong Kong dollars (“**HK\$’000**”), which is also the functional currency of the Company.

This unaudited interim financial information was approved by the board of directors (the “**Board**”) for issue on 26 August 2020.

2. Basis of Preparation and Changes in Accounting Policies

2.1 Basis of preparation

The unaudited interim financial information for the six months ended 30 June 2020 has been prepared in accordance with HKAS 34 Interim Financial Reporting. The unaudited interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019.

2. Basis of Preparation and Changes in Accounting Policies (continued)

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

2. Basis of Preparation and Changes in Accounting Policies (continued)

2.2 New standards, interpretations and amendments adopted by the Group (continued)

- (c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The amendments did not have any impact on the financial position and performance of the Group.
- (d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim financial information.

3. 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 structured finance.

3. 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 2020 (unaudited)

	Securities HK\$'000	Corporate finance HK\$'000	Asset management and direct investment HK\$'000	Total HK\$'000
Segment revenue				
Commission and fee income	14,356	235	1,298	15,889
Interest income	101,054	–	213,721	314,775
Investment income	–	–	31,188	31,188
	115,410	235	246,207	361,852
Net loss on financial assets at fair value through profit or loss	–	–	(276,054)	(276,054)
Net loss arising from disposal of financial assets at fair value through other comprehensive income	–	–	(16,166)	(16,166)
Other income and gains or losses, net	(805)	–	(52,426)	(53,231)
	114,605	235	(98,439)	16,401
Segment results	(10,221)	(1,520)	(93,429)	(105,170)
Finance costs				(317,657)
Other unallocated expenses, net				(51,225)
Other unallocated income and gains or losses, net				7,478
Loss before tax				(466,574)
Income tax expense				(8,446)
Loss for the period				(475,020)

3. Operating Segment Information (continued)

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 gain 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 expenses, net				(45,064)
Other unallocated income and gains or losses, net				29,116
Loss before tax				(153,121)
Income tax expense				(77,631)
Loss for the period				(230,752)

3. Operating Segment Information (continued)

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

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Asset		
Securities	1,660,416	5,263,963
Corporate finance	78,661	69,758
Asset management and direct investment	10,928,033	9,943,324
Total segment assets	12,667,110	15,277,045
Other unallocated assets	544,366	1,389,456
Total assets	13,211,476	16,666,501
Liabilities		
Securities	791,801	1,160,784
Corporate finance	–	4,457
Asset management and direct investment	1,820,100	2,760,319
Total segment liabilities	2,611,901	3,925,560
Other unallocated liabilities	8,262,794	11,411,844
Total liabilities	10,874,695	15,337,404

3. Operating Segment Information (continued)

Geographical information:

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

(a) *Revenue from external customers*

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Hong Kong	361,852	933,197
PRC	–	20,957
	361,852	954,154

The information of revenue and other income above is based on the locations of the markets.

(b) *Non-current assets*

Majority of the non-current assets (excluding deferred tax assets) of the Group are located in Hong Kong.

4. Revenue

The Group's revenue is disaggregated as follows:

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers</i>		
Commission and fee income (note (i)):		
Fee and commission income on securities dealing and broking	9,099	8,795
Placing and underwriting fee income	235	–
Consultancy and financing advisory fee income	5,140	54,575
Management fee income	1,298	10,913
Other service income	117	–
	15,889	74,283
<i>Revenue from other sources</i>		
Interest income:		
Interest income from loans and advances to customers	162,235	355,487
Interest income from amount due from an associate	11,648	11,699
Interest income from financial assets at fair value through profit or loss	46,361	257,730
Interest income from financial assets at fair value through other comprehensive income	94,531	142,630
	314,775	767,546
Investment income:		
Dividend income	31,188	112,325
Total revenue	361,852	954,154

Note:

- (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\$9,451,000 (2019: HK\$8,795,000) and HK\$6,438,000 (2019: HK\$65,488,000), respectively.

5. Other income and gains or losses, net

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Bank interest income	2,850	5,971
Foreign exchange differences and other gains and losses, net	26,189	26,342
Net loss on financial liabilities at fair value through profit or loss	(74,792)	(59,347)
	(45,753)	(27,034)

6. Finance costs

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interest on loans from the ultimate holding company	–	70,236
Interest on loans from an intermediate holding company	230,701	450,295
Interest on bank borrowings	59,066	74,718
Interest on repurchase agreements and other activities	26,160	100,093
Interest on lease liabilities	1,730	955
	317,657	696,297

7. Loss before tax

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

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Depreciation of property, plant and equipment	1,353	5,642
Depreciation of right-of-use assets	25,899	21,219
Auditor's remuneration – interim review	966	860
Employee benefit expenses (including directors' remuneration)	18,023	23,906
Net provision of impairment of amount due from an associate	8,665	–
Net provision for impairment of financial assets at fair value through other comprehensive income	9,866	6,926
Net provision for impairment of loans and advances to customers and other financial assets at amortised cost	74,633	678,777

8. Income tax expense

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Current tax – Hong Kong	8,471	22,043
Deferred tax	(25)	55,588
	8,446	77,631

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%.

8. Income tax expense (continued)

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the interim financial information. 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% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

9. Loss per share attributable to ordinary equity holders of the company

The calculations of basic loss per share attributable to equity holders of the company is as follow:

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Loss		
Loss for the period attributable to equity holders of the company, used as loss for the purpose of basic loss per share	(507,975)	(263,806)

	For the six months ended 30 June	
	2020 '000 (Unaudited)	2019 '000 (Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of 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.

10. Financial assets/liabilities at fair value through profit or loss

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Assets		
Non-current:		
– Unlisted fund investments (note (i))	1,262,541	1,375,241
Current:		
– Listed equity securities	565,813	914,567
– Listed fixed income securities	1,411,411	1,925,116
– Unlisted put options on listed equity securities, at fair value	634,148	633,537
	2,611,372	3,473,220
Total financial assets at fair value through profit or loss	3,873,913	4,848,461
Liabilities		
Current:		
Third-party interests in consolidated investment funds (note (ii))	–	39,023

Notes:

- (i) As at 30 June 2020, included in financial assets at FVTPL are unlisted fund investments of approximately HK\$1,262,541,000 (31 December 2019: HK\$1,375,241,000) 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 to third parties within the next twelve months and has accordingly classified them as non-current assets.
- (ii) Third-party interests in consolidated investment fund consist of third-party unitholders' interests in consolidated investment fund which are reflected as liabilities since they can be put back to the Group for cash. The realisation of third-party interests in investment fund cannot be predicted with accuracy since these represent the interests of third-party unitholders in consolidated investment fund that are subject to market risk and the actions of third party investors.

11. Financial assets at fair value through other comprehensive income

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Non-current		
Listed fixed income securities, at fair value	2,045,189	2,055,607
Current		
Listed fixed income securities, at fair value	1,024,477	1,911,824
	3,069,666	3,967,431

During the period, the loss in respect of changes in fair value of the Group's financial assets at FVTOCI recognised in other comprehensive income amounted to approximately HK\$60,148,000 (2019: a gain of approximately HK\$197,329,000). During the period, the Group has net provision for impairment of financial assets at fair value through other comprehensive income included in profit or loss of HK\$9,866,000 (2019: HK\$6,926,000). During the period, the Group disposed of financial assets at FVTOCI to independent third parties, and a loss of approximately HK\$16,166,000 (2019: a loss of approximately HK\$9,667,000) 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".

12. Amount due from an associate

Name of entity	Country of incorporation	Interest held by the Group		Principal activities
		As at 30 June 2020	As at 31 December 2019	
Hua Rong Bo Run International Investment Holdings Limited	HK	40%	40%	Investment holding

The total investment in an associate using the equity method (comprised of the cost of unlisted investment in an associate, share of results of an associate and exchange differences) are nil as at 30 June 2020 and 31 December 2019.

The share of profit arisen from Hua Rong Bo Run International Investment Holdings Limited for the period ended 30 June 2020 and 30 June 2019 were nil.

The share of profit arisen 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 HK\$13,314,000. In December 2019, the Group disposed of a 40% interest in 華融柏潤(珠海)資產管理有限公司 through disposal of subsidiary.

The carrying amount of amount due from an associate, Hua Rong Bo Run International Investment Holdings Limited, was approximately HK\$302,805,000 (31 December 2019: HK\$314,262,000) as at 30 June 2020 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\$2,008,000 (31 December 2019: HK\$1,927,000) which are expected to be received within the next twelve months. The gross carrying amount of amount due from associate was HK\$325,950,000 (31 December 2019: HK\$328,661,000) as at 30 June 2020. During the period ended 30 June 2020, there was an impairment of amount due from an associate amounting to HK\$8,665,000 (six months ended 30 June 2019: nil). The carrying amount of amount due from an associate was net of provision for impairment of HK\$21,137,000 (31 December 2019: HK\$12,472,000).

13. Other loans and receivables

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Current		
Other loans and receivables	3,517,053	809,807
Less: provision for impairment	(520,044)	(37,790)
	2,997,009	772,017
Analysed as:		
Secured	2,997,009	772,017

As at 30 June 2020, 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 7.5% to 12% per annum (31 December 2019: 6% to 12% per annum) with contractual maturity repayable on demand or up to 10 months from 30 June 2020 (31 December 2019: up to 6 months).

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.

As at 30 June 2020, included in the Group's loan receivables balance are borrowers with aggregate carrying amount of HK\$345,350,000 (31 December 2019: HK\$757,216,000) which are past due as at the reporting date, of which HK\$330,539,000 (31 December 2019: HK\$757,216,000) has been past due 90 days or more.

As at 30 June 2020, the Group has concentration of credit risk as 81% (31 December 2019: 100%) of the total other loans and receivables was due from the Group's five largest other borrowing customers (31 December 2019: three largest other borrowing customers). Interest income derived from other loans and receivables was recognised as "interest income from loans and advances to customers within "revenue".

13. Other loans and receivables (continued)

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 2020, the average loss rate for 12-month ECL, lifetime ECL (not credit-impaired) and lifetime ECL (credit-impaired) was 0.03% (31 December 2019: 0.01%), 0.01% (31 December 2019: nil) and 38% (31 December 2019: 5%) respectively.

As at 30 June 2020 and 31 December 2019, the contractual amount outstanding on other loans and receivables that have been written off, but were still subject to enforcement activity was nil.

During the period, the Group has signed deeds of assignment with certain margin customers, hence, the Group has transferred certain advances to customers in margin financing to other loans and receivables. As at 30 June 2020, net carrying amount of HK\$2,268,739,000 of other loans and receivables was originally transferred from advances to customers in margin financing.

14. Advances to customers in margin financing

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Loans to customers in margin financing	1,539,031	4,214,066
Less: provision for impairment	(922,897)	(1,330,395)
	616,134	2,883,671

14. Advances to customers in margin financing (continued)

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.

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 84% (31 December 2019: 65%) of the total loans to securities margin clients due from the Group's five largest securities margin clients.

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 2020, the average loss rate for 12-month ECL, lifetime ECL (not credit-impaired) and lifetime ECL (credit-impaired) were 0.07% (31 December 2019: 0.04%), nil (31 December 2019: 0.03%) and 65% (31 December 2019: 48%) respectively.

As at 30 June 2020 and 31 December 2019, the contractual amount outstanding on advances to customers in margin financing that have been written off, but were still subject to enforcement activity was nil.

15. Accounts receivable

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Accounts receivable from:		
– securities, futures and options dealing services		
– clients	1,724	1,259
– brokers, dealers and clearing houses	106,105	71,125
– corporate finance/asset management	30,065	56,055
	137,894	128,439
Provision for impairment	(24,960)	(25,083)
	112,934	103,356

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:

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
0–30 days	107,200	97,476
31–90 days	303	456
91–365 days	–	–
Over 365 days	5,431	5,424
	112,934	103,356

15. Accounts receivable (continued)

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

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
At beginning of period/year	25,083	331
Provision for impairment, net	(123)	24,752
At end of period/year	24,960	25,083

For accounts receivable from clients, the management ensures that the available cash balance and listed equity securities belonging to accounts receivable client in which the Group holds as custodian are sufficient to cover the amounts due to the Group. For the remaining accounts receivable that are overdue, management maintains effective control over its repayment schedule and assesses the latest status of the debtors.

As at 30 June 2020, accounts receivable amounting to HK\$30,065,000 (31 December 2019: HK\$56,055,000) 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 2020, allowance amounting to HK\$24,683,000 (31 December 2019: HK\$24,807,000) 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\$277,000 (31 December 2019: HK\$276,000).

16. 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.

17. 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.

18. Accounts payable

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

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Current to 1 month	919,941	1,355,529

As at 30 June 2020, included in the accounts payable is the account payable to financial institutions of approximately HK\$491,738,000 (31 December 2019: HK\$948,433,000) which is maintained for the investment trading. The balance is interest bearing.

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 2020, accounts payable with carrying amount of approximately HK\$427,314,000 (31 December 2019: HK\$406,679,000) are interest-bearing at bank savings deposit rates.

19. Other liabilities, payables and accruals

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Current portion:		
Other payables	3,789	1,101
Interest payables (note (i))	48,684	62,087
Accruals	28,944	21,086
Receipt in advance	31,753	128,444
Deferred income	17,701	35,404
	130,871	248,122
Non-current portion:		
Other payables	1,845	1,845
	1,845	1,845

Other payables and accrued liabilities are non-interest-bearing and have an average term of three months.

Note:

- (i) Included in interest payables are the interest payables amounting to HK\$31,988,000 (31 December 2019: HK\$48,966,000) in relation to the loans from an intermediate holding company of an aggregate amount of US\$685,115,000 (31 December 2019: US\$1,161,685,000) at annual interest rates of ranging from 4.3% to 7.98% (31 December 2019: 4.3% to 7.98%) and HK\$16,696,000 (31 December 2019: HK\$13,121,000) interest payable in relation to bank borrowings.

20. Interest-bearing borrowings

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Non-current:		
Loan from an intermediate holding company	4,906,951	5,449,796
Current:		
Loan from an intermediate holding company	363,980	3,598,539
Secured bank borrowings	–	144,500
Unsecured bank borrowings	2,816,032	2,498,028
	3,180,012	6,241,067
Total interest bearing borrowings	8,086,963	11,690,863
	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
The carrying amounts of the above borrowings are repayable based on scheduled repayment dates set out in the loan agreements:		
Within one year (with repayable on demand clause)	2,816,032	2,642,528
Within one year	363,980	3,598,539
Within a period of more than one year but not exceeding two years	540,891	365,740
Within a period of more than two years but not exceeding five years	2,275,679	1,409,318
Within a period of more than five years	2,090,381	3,674,738
	8,086,963	11,690,863

20. Interest-bearing borrowings (continued)

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Denominated in:		
HK\$	2,199,000	2,019,500
US\$	5,887,963	9,671,363
	8,086,963	11,690,863

As at 30 June 2020, bank borrowings of nil (31 December 2019: HK\$144,500,000) 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 2020.

The bank borrowings as at 30 June 2020 carry variable interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 1.60% to 2.70% and London Interbank Offered Rate ("LIBOR") plus 1.70% to 2.50% per annum (31 December 2019: HIBOR plus 1.60% to 2.40%, LIBOR plus 1.70% to 2.50% per annum).

In addition, the Group had loans (the "Company Loans") amounting to approximately US\$685,115,000 (equivalent to approximately HK\$5,270,931,000) (31 December 2019: US\$1,161,685,000 (equivalent to approximately HK\$9,048,335,000) from its intermediate holding company, China Huarong International Holdings Limited ("CHIH") for the operation of the Group's business. The Company Loans bear interest at fixed interest rates ranging from 4.3% to 7.98% per annum (31 December 2019: 4.3% to 7.98% per annum) and are repayable in ten months to nine years (31 December 2019: three months to ten years) from the end of the reporting period.

The carrying amounts of the interest-bearing borrowings approximate to their fair values as the impact on discounting is not significant.

21. Share capital

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Shares		
Authorised: 1,000,000,000,000 ordinary shares of HK\$0.001 each (31 December 2019: 1,000,000,000,000)	1,000,000	1,000,000
Issued and fully paid: 3,588,466,011 (31 December 2019: 3,588,466,011) ordinary shares of HK\$0.001 each	3,588	3,588

22. Repurchase agreements

Repurchase agreements arise when the securities are sold by the Group with a concurrent agreement to repurchase at a specified later date and price. These securities are not derecognised from the Group's condensed consolidated statement of financial position and are retained within the appropriate financial assets classification. The amount received by the Group is recognised as liabilities as the Group retains substantially all risks and returns of the securities.

As at 30 June 2020, the obligations under repurchase agreements was HK\$1,619,609,000 (31 December 2019: HK\$1,745,170,000).

The following table specifies the amount included within financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income subject to repurchase agreements at the period end/year end.

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Financial assets at fair value through other comprehensive income	1,036,798	1,367,939
Financial assets at fair value through profit or loss	1,272,708	1,608,648
	2,309,506	2,976,587

23. Perpetual capital securities classified as equity instruments

	Principal HK\$'000	Distribution HK\$'000	Total HK\$'000
Balance at 1 January 2019 (audited)	1,186,854	21,515	1,208,369
Profit attributable to holder of perpetual capital securities	–	66,025	66,025
Distribution relating to perpetual capital securities	–	(66,964)	(66,964)
Balance at 31 December 2019 (audited)	1,186,854	20,576	1,207,430
Issuance of perpetual capital securities during the period	1,550,300	–	1,550,300
Profit attributable to holder of perpetual capital securities	–	32,955	32,955
Distribution relating to perpetual capital securities	–	(33,322)	(33,322)
Balance at 30 June 2020 (unaudited)	2,737,154	20,209	2,757,363

In 2020, the Company issued perpetual capital securities with the principal amount of US\$200,000,000 (equivalent to approximately HK\$1,550,300,000) to CHIH, an intermediate holding company of the Company. 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.

24. Related party transactions

In addition to the transactions and balances disclosed elsewhere to the interim financial information, 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:

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Short term employee benefit	2,366	2,267

24. Related party transactions (continued)

- (b) During the period ended 30 June 2020, the Group had the following material transactions with related parties:

	For the six months ended	
	30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expenses to an intermediate holding company (Note (i))	230,701	450,295
Interest expense to the ultimate holding company (Note (ii))	–	70,236
Underwriting income from a fellow subsidiary (Note (iii))	235	–
Interest income from amount due from an associate	11,648	11,699
Interest expense to the fellow subsidiary (Note (iv))	1,578	–
Other income from a fellow subsidiary (Note (v))	10,354	–

Notes:

- (i) During the period, CHIH, an intermediate holding company provided an aggregate amount of approximately US\$685,115,000 (31 December 2019: approximately US\$1,161,685,000), equivalent to approximately HK\$5,270,931,000 (31 December 2019: equivalent to approximately HK\$9,048,335,000) company loans. The loans bear annual interest rate ranging from 4.3% to 7.98% per annum (31 December 2019: 4.3% to 7.98% per annum) and repayable in ten months to nine years (31 December 2019: three months to ten years) from the end of the reporting period. Approximately HK\$31,988,000 (31 December 2019: HK\$48,966,000) interest payables are incurred from the loans as at 30 June 2020.
- (ii) During the period ended 30 June 2019, China Huarong, the ultimate holding company provided an aggregate amount of RMB1,595,000,000 (approximately HK\$1,813,200,000) company loans. The loans bear annual interest rate ranging from 6.87% to 8.24% and repayable in one month to eight months.
- (iii) During the period ended 30 June 2020, the Group earned underwriting income of HK\$235,000 (2019: nil) from its fellow subsidiary, Huarong Finance 2019 Co., Ltd in respect of the issuance of medium term notes.
- (iv) During the period, interest arising from the lease liability amounted to HK\$1,578,000 (2019: nil). Lease liability as at 30 June 2020 amounted to HK\$68,047,000 (31 December 2019: HK\$80,826,000). In 2019, the Company signed a sharing agreement with a fellow subsidiary for the use of an office and administrative services for a term of 3 years.
- (v) During the period, other income amounted to HK\$10,354,000 (2019: nil) from a fellow subsidiary, China Huarong Overseas Investment Holdings Co., Limited in respect of rental of property.

The Group is indirectly controlled by China Huarong, which is indirectly controlled by the PRC government through the Ministry of Finance (the “MOF”). MOF is the major shareholder of China Huarong as at 30 June 2020. For the current period, 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. The Group is of opinion that these transactions are in normal business terms that do not require separate disclosure.

25. Fair value measurements of financial instruments

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

As at 30 June 2020, unaudited

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Assets				
Non-current				
Financial assets at fair value through other comprehensive income	–	2,045,189	–	2,045,189
Financial assets at fair value through profit or loss				
– Unlisted fund investments	–	1,094,167	168,374	1,262,541
	–	3,139,356	168,374	3,307,730
Current				
Financial assets at fair value through other comprehensive income	–	1,024,477	–	1,024,477
Financial assets at fair value through profit or loss				
– Listed equity securities	565,813	–	–	565,813
– Listed fixed income securities	–	1,411,411	–	1,411,411
– Unlisted put options on listed equity securities, at fair value	–	–	634,148	634,148
	565,813	2,435,888	634,148	3,635,849
Total financial assets measured at fair value	565,813	5,575,244	802,522	6,943,579

25. Fair value measurements of financial instruments (continued)

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:
(continued)

As at 31 December 2019, audited

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Assets				
Non-current				
Financial assets at fair value through other comprehensive income	–	2,055,607	–	2,055,607
Financial assets at fair value through profit or loss				
– Unlisted fund investments	–	1,207,667	167,574	1,375,241
	–	3,263,274	167,574	3,430,848
Current				
Financial assets at fair value through other comprehensive income	–	1,911,824	–	1,911,824
Financial assets at fair value through profit or loss				
– Listed equity securities	914,567	–	–	914,567
– Listed fixed income securities	–	1,925,116	–	1,925,116
– Unlisted put options on listed equity securities, at fair value	–	–	633,537	633,537
	914,567	3,836,940	633,537	5,385,044
Total financial assets measured at fair value	914,567	7,100,214	801,111	8,815,892
Liabilities				
Current				
Financial liabilities at fair value through profit or loss				
– Third party interests in consolidated investment funds	–	(39,023)	–	(39,023)

26. Fair value and fair value hierarchy of financial instruments

Fair value of the Group's financial assets/(liabilities)

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/(liabilities) are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

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

26. Fair value and fair value hierarchy of financial instruments (continued)

Fair value of the Group's financial assets/(liabilities) (continued)

An analysis of the Group's financial assets/(liabilities) measured at fair value as at 30 June 2020 and 31 December 2019 are as follows:

	Fair value as at 30 June 2020 (unaudited) HK\$'000	Fair value as at 31 December 2019 (audited) HK\$'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\$665,813	Listed equity investments: - HK\$914,567	Level 1	Note (a)	N/A	N/A	N/A
2) Financial assets at FVTPL	Unlisted put option: - HK\$634,148	Unlisted put option: - HK\$633,537	Level 3	Note (f)	Expected volatility of ranging from 25.15% to 30.49% (31 December 2019: 30.87% to 41.64%)	10% (volatility ranging from 22.64% to 33.54%) (31 December 2019: 27.78% to 45.80%)	Increase/decrease in fair value: HK\$554,000/HK\$(554,000) (31 December 2019: HK\$1,003,000/ HK\$(1,003,000))
3) Financial assets at FVTPL	Listed fixed income securities: - HK\$1,411,411	Listed fixed income securities: - HK\$1,925,116	Level 2	Note (b)	N/A	N/A	N/A
4) Financial assets at FVTPL	Unlisted fund investments - HK\$1,094,167	Unlisted fund investments: - HK\$1,207,667	Level 2	Note (d)	N/A	N/A	N/A
5) Financial assets at FVTPL	Unlisted fund investments - HK\$168,374	Unlisted fund investments: - HK\$167,574	Level 3	Note (e)	Net asset value	10%	Increase/decrease in fair value of HK\$17,767,000/ HK\$(17,767,000) (31 December 2019: HK\$17,522,700/ HK\$(17,522,700))
6) Financial assets	Listed bond securities - HK\$3,069,666	Listed bond securities - HK\$3,967,431	Level 2	Note (b)	N/A	N/A	N/A

26. Fair value and fair value hierarchy of financial instruments (continued)

Fair value of the Group's financial assets/(liabilities) (continued)

	Fair value as at 30 June 2020 (unaudited) HK\$'000	Fair value as at 31 December 2019 (audited) HK\$'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	nil	Non-controlling interests in consolidated investment fund: - HK\$39,023	Level 2	Note (c)	N/A	N/A	N/A

Notes:

- Quoted bid price in an active market.
- The fair value was determined with reference to quoted price provided by brokers/financial institutions.
- 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.
- 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.
- 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.
- 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 interim financial information approximate their fair values.

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

26. Fair value and fair value hierarchy of financial instruments (continued)

Fair value of the Group's financial assets/(liabilities) (continued)

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

	30 June 2020 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Unaudited)
Financial assets at FVTPL:		
At beginning of the period	801,111	7,285,627
Disposed during the period	–	(4,778,394)
Total gain in profit or loss	1,411	463,576
At end of the period	802,522	2,970,809
Financial liabilities at FVTPL:		
At beginning of the period	–	78,976
Net loss during the period	–	59,552
Settled during the period	–	(138,528)
At end of the period	–	–

For the period ended 30 June 2020, of the total gains or losses for the period included in profit or loss, unrealised gain of HK\$1,411,000 and nil (2019: unrealised gain of HK\$463,576,000 and loss of HK\$59,552,000) 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'.

27. 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, the plaintiff and HISL reached a settlement in respect with such proceeding and the consent order made by the Court of First Instance of the High Court of the Hong Kong Special Administrative Region became effective on 9 March 2020. The Directors consider that it is not probable that an outflow of resources embodying economic benefits will be required to settle these alleged claims as at 30 June 2020 and 31 December 2019.

Save as disclosed above, the Group had no other material contingent liabilities at 30 June 2020 and 31 December 2019.

28. Dividends

No dividend was paid to the shareholders of the Company for six months ended 30 June 2020 and 30 June 2019.

The board has resolved not to declare the payment of any interim dividend for the six months ended 30 June 2020 and 30 June 2019.

29. Events after the end of the reporting period

After the end of the Period, the Group has the following subsequent events:

- (1) On 3 July 2020, the Board of the Company requested the Board of Huarong Investment Stock Corporation Ltd (“**HRIV**”) to put forward a proposal regarding the privatization of HRIV by the Company by way of a scheme of arrangement under section 86 of the Companies Law (2020 Revision) of the Cayman Islands (as consolidated and revised from time to time). For further details, please refer to the joint announcement of the Company and HRIV dated 6 July 2020.
- (2) The Company entered into a supplemental facility letter with a bank to renew an uncommitted revolving credit facility in an aggregate principal amount of up to US\$40,000,000. For further details, please refer to the announcement of the Company dated 11 August 2020.
- (3) Mr. Yu Meng resigned as Chairman of the Board and an executive Director with effect from 24 August 2020; and Mr. Yang Rungui was appointed as Chairman of the Board and an executive Director on 24 August 2020. For further details, please refer to the announcement of the Company dated 24 August 2020.

SUPPLEMENTARY INFORMATION

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

As at 30 June 2020, 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 Entity**");
- (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 2020, 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 2020
China Huarong (Note 1)	Interests in controlled corporation	Long position	1,830,117,664	51.00%
China Huarong (Note 2)	Interests in controlled corporation	Long position	775,220,529	21.60%
China Huarong (Note 3)	Interests in controlled corporation	Long position	135,000,000	3.76%
CHIH (Note 1)	Interests in controlled corporation	Long position	1,830,117,664	51.00%
CHIH (Note 3)	Interests in controlled corporation	Long position	135,000,000	3.76%
Camellia Pacific Investment Holding Limited ("Camellia") (Note 1)	Beneficial owner	Long position	1,830,117,664	51.00%
Camellia (Note 3)	Interests in controlled corporation	Long position	135,000,000	3.76%
Shinning Rhythm Limited ("Shinning Rhythm") (Note 2)	Security interest	Long position	775,220,529	21.60%
Hero Link Enterprises Limited ("Hero Link") (Note 4)	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 2020
China Tian Yuan International Finance Limited ("Tian Yuan Int'l") (Note 4)	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 4)	Interests in controlled corporation	Long position	775,220,529	21.60%
Mr. Jia Tianjiang (Note 4)	Interests in controlled corporation	Long position	775,220,529	21.60%
Ms. Dong Jufeng (Note 4)	Interests of spouse	Long position	775,220,529	21.60%

Notes:

- 1,830,117,664 Shares are beneficially owned by Camellia which is wholly owned by CHIH. CHIH is owned as to 84.84% by China Huarong, 1.80% by Huarong Zhiyuan Investment & Management Co., Ltd. ("**Huarong Zhiyuan**") and 13.36% by Huarong Shiye Investment Management Company Limited* 華融實業投資管理有限公司 (formerly known as Huarong Real Estate Co., Ltd.) ("**Huarong Shiye**"). Each of Huarong Zhiyuan and Huarong Shiye is wholly owned by China Huarong. China Huarong is beneficially owned as to 57.02% by the MOF of the PRC Government and is deemed to be owned as to 4.39% by the Ministry of Finance of the PRC Government through controlled corporation. Therefore, each of China Huarong and CHIH is deemed or taken to be interested in all the Shares beneficially owned by Camellia by virtue of the SFO.
- Shinning Rhythm holds direct security interest in 775,220,529 underlying Shares and is a wholly-owned subsidiary of Huarong Overseas, which is in turn a wholly-owned subsidiary of Huarong Huaqiao. Huarong Huaqiao is owned as to 91% by Huarong Zhiyuan. Huarong Zhiyuan is a wholly-owned subsidiary of China Huarong. Accordingly, each of Huarong Overseas, Huarong Huaqiao, Huarong Zhiyuan and China Huarong is deemed to be interested in the security interest in the 775,220,529 underlying Shares held by Shinning Rhythm by virtue of the SFO.
- Fresh Idea Ventures Limited ("**Fresh Idea**") holds direct security interest in 135,000,000 underlying Shares and is a wholly-owned subsidiary of Linewear Assets Limited ("**Linewear**"). Linewear is a wholly-owned subsidiary of the Company, which in turn is owned as to 51% by Camellia. Accordingly, each of Camellia, CHIH and China Huarong is deemed to be interested in the security interest in the 135,000,000 underlying Shares held by Fresh Idea by virtue of the SFO.
- Tian Yuan Group is deemed or taken to be interested in (i) 129,000,000 Shares held by Hero Link which is held as to 82% by Tian Yuan Int'l; and (ii) 646,220,529 Shares 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. Accordingly, each of Tian Yuan Int'l, Tian Yuan Group, Mr. Jia and his spouse Ms. Dong Jufeng is deemed to be interested in the 775,220,529 Shares beneficially held by Hero Link and Tian Yuan Int'l by virtue of the SFO. Such 775,220,529 Shares have been pledged to Shinning Rhythm by Hero Link and Tian Yuan Int'l.

* for identification purpose only

Saved as disclosed above, as at 30 June 2020, 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 end of the Period, the Group has the following subsequent events:

- (1) On 3 July 2020, the Board of the Company requested the Board of HRIV to put forward a proposal regarding the privatization of HRIV by the Company by way of a scheme of arrangement under section 86 of the Companies Law (2020 Revision) of the Cayman Islands (as consolidated and revised from time to time). For further details, please refer to the joint announcement of the Company and HRIV dated 6 July 2020.
- (2) The Company entered into a supplemental facility letter with a bank to renew an uncommitted revolving credit facilities in an aggregate principal amount of up to US\$40,000,000. For further details, please refer to the announcement of the Company dated 11 August 2020.
- (3) Mr. Yu Meng resigned as Chairman of the Board and an executive Director with effect from 24 August 2020; and Mr. Yang Rungui was appointed as Chairman of the Board and an executive Director on 24 August 2020. For further details, please refer to the announcement of the Company dated 24 August 2020.

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 for Securities Transactions by Directors of Listed Issuers (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 2019 annual report of the Company are as follows:

- (1) Ms. Wang Qi was appointed as a non-executive Director of the Company on 15 June 2020;
- (2) Ms. Wang Qi was appointed as a non-executive director of HRIV on 15 June 2020;
- (3) Mr. Hung Ka Hai Clement, an independent non-executive Director, resigned as an independent non-executive director of Zhongchang International Holdings Group Limited (formerly known as Henry Group Holdings Limited), a company listed on the Stock Exchange (stock code: 859), with effect from 15 June 2020;
- (4) Mr. Guan Huanfei, an independent non-executive Director, resigned as an independent non-executive director of HongDa Financial Holding Limited, a company listed on the Stock Exchange (stock code: 1822), with effect from 15 May 2020;
- (5) Mr. Guan Huanfei, an independent non-executive Director, was appointed as an executive director and chairman of the board of Enterprise Development Holdings Limited, a company listed on the Stock Exchange (stock code: 1808), with effect from 2 June 2020;
- (6) Mr. Yu Meng resigned as Chairman of the Board and an executive Director with effect from 24 August 2020;
- (7) Mr. Yang Rungui was appointed as Chairman of the Board and an executive Director on 24 August 2020; and
- (8) Mr. Yang Rungui, an executive Director, was appointed as an executive director and chairman of the board of HRIV on 25 August 2020.

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

As at 30 June 2020, 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
21 February 2019	Uncommitted revolving loan facility with a bank	US\$100,000,000	Extended to 20 January 2021	Note 1
2 September 2019	Revolving short term advance facility with a bank	US\$40,000,000	The facility has an interest period of up to three months at the Company's option, subject to review on 30 June 2020 and thereafter to an annual review.	Note 2
2 September 2019	Margin security facility with a bank	HK\$300,000,000	Subject to review on 30 June 2020 and thereafter to an annual review	Note 3
10 December 2019	Term loan facility with a bank	HK\$800,000,000	Repayable in full on the final maturity date falling twelve months from the first utilisation date	Note 4
16 December 2019	Revolving credit facility with a bank	US\$40,000,000	The facility has interest periods of one, two or three month(s) each to be agreed by the Company and the bank (the "Interest Period") and each drawdown or rollover of each drawing shall be repaid on the last day of the applicable Interest Period which shall not extend beyond 20 September 2020.	Note 5
17 March 2020	Revolving loan facilities with a bank	HK\$600,000,000	No fixed term and are repayable on demand by the bank	Note 6

Date of Agreements	Nature of Agreements	Aggregate Amount	Life of the Facility	Specific Performance Obligations
21 May 2020	Uncommitted revolving loan facility with a bank	US \$100,000,000	The interest period may be selected for each revolving advance of 1, 2, 3 or (subject to availability) 6 month(s) or any other period agreed between the Company and the bank. The Facility shall be repaid in full on the date as notified by the bank from time to time at its sole discretion	Note 7

Notes:

1. China Huarong 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.
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. Under the terms of the facility agreement, if China Huarong ceases to be the beneficial owner directly or indirectly holding 51% or more of the issued share capital of the Company, the Company shall promptly notify the bank and the bank may cancel the facility and declare all outstanding loans, together with accrued interest and all other amounts accrued under the facility agreement, to be immediately due and payable. Moreover, China Huarong has undertaken to continuously maintain control over the Company as long as the facility remains outstanding.
5. During the term of the facility, China Huarong shall maintain not less than 51% shareholdings of the Company, and the MOF shall remain as the controlling shareholder of China Huarong.
6. China Huarong has undertaken to continuously maintain control over HISL as long as the facilities remain outstanding.
7. Under the terms of the facility agreement, the Company shall ensure to remain as the subsidiary of China Huarong, and shall ensure that CHIH, shall maintain the status of controlling shareholder of the Company. Moreover, China Huarong has undertaken to continuously maintain control over the Company as long as the facility remains outstanding.

Details of the above mentioned banking facilities are set out in the announcements of the Company dated 21 February 2019, 2 September 2019, 10 December 2019, 16 December 2019, 17 March 2020 and 21 May 2020.

Review of the Interim Financial Information

The audit committee of the Company has reviewed the unaudited interim financial information of the Group for the Period, including the accounting principles and practices adopted by the Group.

The Group's external auditor, Ernst & Young, has carried out a review of the unaudited interim financial information 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.* (中國華融資產管理股份有限公司), a joint stock limited liability company incorporated in the PRC, the issued overseas listed foreign shares of which are listed on the Stock Exchange (stock code: 2799), and a controlling shareholder (as defined in the Listing Rules) of the Company
“Company”	Huarong International Financial Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Stock Exchange (stock code: 993)
“Corporate Governance Code”	Corporate Governance Code and Corporate Governance Report as set out in 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
“HRIV”	Huarong Investment Stock Corporation Limited (華融投資股份有限公司), an exempted company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2277)
“Last Period”	the period for the six months ended 30 June 2019
“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 as set out in Appendix 10 to the Listing Rules
“MOF”	Ministry of Finance
“Period”	the period for the six months ended 30 June 2020, 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.

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