



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)

2021

INTERIM REPORT



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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Xu Xiaowu (*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. Xu Xiaowu
Mr. Ma Lishan
Mr. Guan Huanfei

Executive Committee

Mr. Xu Xiaowu (*Chairman*)
Mr. Wang Junlai

Risk Management Committee

Mr. Ma Lishan (*Chairman*)
Mr. Xu Xiaowu
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
Macau Chinese Bank Co., Ltd.
Bank of China Limited Shenzhen Branch

Auditor

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong
Registered Public Interest Entity Auditor

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

993

Website

www.hrif.com.hk

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

The Group completed the Privatization of HRIV on 10 November 2020, and HRIV became a wholly-owned subsidiary of the Company. As the Company and HRIV are under common control, the management of the Group has adopted merger accounting for the preparation of financial statements in accordance with AG 5 “Merger Accounting for Common Control Combinations” published by the Hong Kong Institute of Certified Public Accountants. The comparative amount for the Last Period has been restated accordingly.

For the Period, the Group recorded a revenue of approximately HK\$289,138,000 (Last Period: approximately HK\$468,419,000), net gain on financial assets at fair value through profit or loss of approximately HK\$11,413,000 (Last Period: net loss of approximately HK\$203,908,000), net loss arising from disposal of financial assets at fair value through other comprehensive income of approximately HK\$6,558,000 (Last Period: net loss of approximately HK\$16,166,000). Therefore, total revenue, investment gains and losses described above amounted to approximately HK\$293,993,000 (Last Period: net gains of approximately HK\$248,345,000). Net loss for the Period was approximately HK\$335,934,000 (Last Period: net loss of approximately HK\$477,327,000), while loss attributable to the Shareholders for the Period was approximately HK\$446,488,000 (Last Period: loss of approximately HK\$498,099,000). The decrease in net loss for the Period was mainly due to an increase in the market value of financial assets at fair value through profit or loss and a decrease in finance costs.

Basic loss per Share was HK5.1 cents for the Period as compared to basic loss per Share of HK8.0 cents for the Last Period, and no diluted loss per Share has been presented for the Period and the Last Period as there was no dilutive financial instruments for the Period and the Last Period.

Market Review

During the first half of 2021, a gradual global economic recovery was noted following the easing of the pandemic, accelerated progress of vaccination and successive removal of lockdown measures in various countries. International institutions embraced an optimistic global economic outlook for 2021, as the International Monetary Fund forecasted a 6% global economic growth for 2021. However, clear disparity and imbalance was noted in the recovery of major global economies. As recovery in international trade, investment and manufacturing sector gained pace, the monetary easing policies of developed countries and the associated expectations for directional reverses caused a certain degree of volatility in the global financial market. Emerging economies and developing countries are facing a tighter financial environment and the risk of shortage in the global supply chain has become increasingly prominent.

Confronted by the pandemic as well as the complicated and austere conditions in the domestic and international environment, China has been persisting in the pursuit of stable progress, as the nation continued to enhance and consolidate its achievements in coordinated epidemic control and economic and social

development. China continued to register stable economic recovery and ongoing rebound in production demand, as the nation reported a 12.7% GDP growth year on year for the first half of the year. Economic development was characterised by stability and consolidation with momentum for positive growth. As an international hub for commerce, trade and finance, and located in the fast-growing Asia poised to capture opportunities presented by the Mainland economy, Hong Kong will steer further towards economic recovery given its stable economic development and increasing vaccination rate.

Business Review

In the first half of 2021, the market in general continued to be under pressure amidst the complicated and volatile economic environment coupled with the continuous impact of the novel coronavirus (“**COVID-19**”) pandemic. In the midst of an extremely challenging external environment, the Group actively advanced steady business development in accordance with its 2021–2025 five-year business development plan (the “**Five-Year Development Plan**”). In the meantime, the Group continued to adopt a variety of risk-resolution measures to mitigate the adverse impact of the complicated external environment on the Group’s operational performance.

Asset Management and Direct Investment

The asset management and direct investment segment is engaged in the provision of asset management services, investment in stocks, bonds, funds, derivative instruments and other financial products with its own funds and the provision of structured financing. During the first half of 2021, the traditional asset management industry continued to face unprecedented challenges as a result of the impact of the COVID-19 pandemic and other factors. The Group actively addressed the austere conditions by strengthening the management and control of market risks, credit risks and other risks, persisting in the principal business of China Huarong with a special focus on distressed assets and relief for corporations, while stepping up with the development of the light-asset management business with key efforts in the establishment of overseas funds for investment in non-performing assets and investment funds for high-yield bond funds in further diversification of product variety. The Group also enhanced fundraising ability and overcame manifold difficulties encountered in the transformation process. As a result, growth was reported in the overall size of assets under management, providing a foundation for future growth in management fee income. Segment revenue and investment gain was approximately HK\$227,771,000 for the Period as compared to segment revenue and investment loss of approximately HK\$97,263,000 for the Last Period. The investment gain for the Period was mainly attributable to the change of net loss on financial assets at fair value through profits of loss of approximately HK\$206,128,000 for the Last Period to net gain on financial assets at fair value through profit or loss of approximately HK\$11,413,000 for the Period. The segment result recorded a loss of approximately HK\$216,924,000 due to provision for impairment made for certain investment projects, as compared to loss of approximately HK\$410,669,000 for the Last Period.

Securities

Securities business segment includes the provision of brokerage services, margin financing, structured financing and stocks, bonds, futures and options trading services. It is also actively developing the wealth management business and the provision of investment advisory services to achieve mutual benefits and win-win results. During the first half of 2021, the Group faced a complicated and volatile economic environment

and intensely competitive market. In firm adherence to the bottom line of compliant business operation, the Group further regulated product standards and enhanced effort in marketing and cooperation with institutions, and a positive growth momentum for revenue from principal businesses was sustained. The mobile APP “華融財富通” completed upgrade in iterative computation to provide more convenient services in online account opening and direct link between banks and corporations, which enabled the Group to take a solid step towards transformation into an Internet-based securities company. For the Period, the revenue and other income from the securities segment was approximately HK\$26,969,000 as compared to approximately HK\$114,605,000 for the Last Period. The change in revenue and other income was mainly due to the fact that certain advances to customers in margin financing were crystalized and converted into other loans and trade receivables in the first half of the Last Period, and corresponding interest associated with such advances, therefore decreased for the securities business. The segment result amounted to loss of approximately HK\$3,234,000 as compared to loss of approximately HK\$16,629,000 for the Last Period.

Corporate Finance

For the first half of 2021, year-on-year growth in issue volume and net increment was reported for US dollar bonds issued by Chinese companies, with the issue volume reaching a record high in January. While supply narrowed in subsequent months following the rapid hike of US dollar bond interest rate and the credit incidents involving certain companies, the overall performance of investment bonds was better than the high-yield bonds. The Group capitalised on the positive market sentiments and advanced its bond underwriting business with multiple approaches, reporting a substantial year-on-year growth in results for the Period with considerable increases in issue volume, number of transactions and underwriting fee income compared to the same period last year. The Group entered into cooperation for the first time with a number of large SOEs, financial institutions, real estate companies and city investment companies. Our institutional business network was further expanded, as business partnerships were established with several premium institutional investors and peers. The Group's influence and ranking in the Hong Kong bond capital market was enhanced. Moreover, the Group was committed to the provision of financial advisory service to institutional clients, offering advice on the terms and structure of their proposed deals and in relation to the Listing Rules and the Codes on Takeovers and Mergers and Shares Repurchases. For the Period, the revenue from the corporate finance segment amounted to approximately HK\$3,242,000 as compared to revenue of approximately HK\$235,000 for the Last Period. The segment result for the Period was loss of approximately HK\$1,928,000 as compared to loss of approximately HK\$1,520,000 for the Last Period. The movement of the segment result was mainly attributable to an increase in expenses incurred by the corporate finance segment.

Financial Services and Others

The Group operates relevant financial services and other businesses in Mainland China, including the provision of finance lease services, business consulting services and other related services. It is focused on providing services to the basic industries which conform to the PRC's industrial policy and economic development trend, by way of introducing financial leasing to those industries, including the logistics, automobile, aviation, solar energy and wind power generation and liquified natural gas sectors, to obtain constant and stable rental income. In addition, based on the Group's domestic and overseas business networks and the experience of investing in various industries, the Group also provided consulting services on macro-economy, industry analysis, financial product design and other aspects for customers. For the Period, the revenue

from financial services and others segment was approximately HK\$36,011,000 as compared to revenue of approximately HK\$38,217,000 for the Last Period. The segment result for the Period was loss of approximately HK\$23,647,000 as compared to profit of approximately HK\$33,931,000 for the Last Period due to an increase in provision incurred for the Period compared with the Last Period.

Prospects

In the second half of 2021, despite that the global economy will be on a trend of recovery in general, the pandemic worldwide is evolving while the external environment is dominated by factors of instability and uncertainty, resulting in imbalances in economic recovery. The international community needs to work together and engage in dialogue in relation to the reduction of trade protection measures, promotion of international cooperation to fight the pandemic, and enhancement of coordination in macroeconomic policy, in order to bring global economic governance into more active play in addressing global challenges. China will continue to deepen supply-side structure reform with an emphasis on unleashing the potential of domestic demands, providing relief for corporations and making solid progress in stable high-quality development. In the opening year of its “14th Five-Year Plan”, China will continue to be a leader among major global economies in terms of economic growth and provide the driving force for general economic development.

In view of the manifold pressures currently at force, the Group will closely monitor global developments and overcome any difficulties to seize strategic opportunities. In connection with asset management and direct investment, we continue to pivot on the principal business of China Huarong with a focus on distressed assets and relief for corporations. In the meantime, we will leverage the advantage of our financial license and synergetic business to further expand and develop new fund products, actively exploring innovative cross-border businesses in relation to non-performing assets while enhancing our clientele with strong effort to gradually expand the scale of our asset management business and increase management fee income. In the securities business, the Group will make a major effort to enhance business research and market development, striving to make breakthroughs in margin financing for new share subscription, online customer acquisition via mobile APP, structured finance and wealth management in a bid to enrich its business and product portfolio while improving the quality of customer service. In the corporate finance business, the market for US dollar bonds issued by Chinese companies has seen stable growth in recent years, with expanding bases of investors and issuers. With the future implementation of the southbound leg of Bond Connect, we believe the market size will grow further. The Group will seize the market opportunity to extend the positive momentum for business development and continue to provide premium professional financing services to more customers. Meanwhile, we will also actively advance and steadily develop the sponsorship and M&A businesses in full implementation of our Five-Year Development Plan and the “investment + investment bank” and “license + principal business” development strategy.

Year 2021 is the concluding year of the three-year strategic plan for the development of the “New Huarong”, as well as the commencing year of the Company’s Five-Year Development Plan. The Group will continue to follow closely the three main objectives of risk aversion through liquidation and collection, stable business development and balance-sheet optimisation and offloading, enhancing risk aversion through liquidation and collection on an ongoing basis and accelerating business transformation by reference to the Five-Year Development Plan. The operational philosophy of compliance and integrity will be strengthened and opportunities arising from the current developments will be accurately seized such that steady progress in operating results and long-term stable development will be achieved.

Financial Review

Capital Structure

As at 30 June 2021, the total number of issued shares of the Company (with par value of HK\$0.001 each) was 8,709,586,011.

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 2021, the Group had total cash and cash equivalents amounting to approximately HK\$1,840,991,000 as compared to HK\$1,720,306,000 as at 31 December 2020, excluding client funds that were kept in separate designated bank accounts of approximately HK\$354,088,000 (31 December 2020: approximately HK\$380,295,000). The Group's gearing ratio as at 30 June 2021 was 1,225.57% as compared to 772.26% as at 31 December 2020, being calculated as borrowings over the Group's shareholders' equity. The increase in gearing ratio was attributable to a decrease in the Group's shareholders' equity in the Period. As at 30 June 2021, the Group obtained shareholder loans from CHIH in an aggregate principal amount of approximately US\$605,115,000 (equivalent to approximately HK\$4,697,988,000) (31 December 2020: approximately US\$605,115,000 (equivalent to HK\$4,691,214,000)) to support the business of the Group.

As at 30 June 2021, the Group had undrawn bank credit facilities of approximately HK\$1,100,018,000 (31 December 2020: approximately HK\$1,629,012,000), of which HK\$2,543,049,000 (31 December 2020: approximately HK\$3,358,758,000) were utilised by the Group.

As at 30 June 2021, the Group was unable to comply with a financial covenant for a banking facility with loan amount of HK\$624 million as well as certain non-financial covenants under several banking facilities agreements with an aggregate loan amount of HK\$2,329 million, due to the delay in publication of annual report for 2020 and the suspension of trading in the Company's shares since 1 April 2021. However, these banks still provide normal banking facilities to the Group and have not yet requested early repayments of borrowings. Up to the date of this report, the Group has either obtained waiver from the bank, or in an active dialogue with such banks. As such, the Company does not expect any material adverse impact of the aforesaid events on the Group's financial performance and operations.

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 2021, except for the pledge of the gross carrying amount of RMB326,728,000 (equivalent to HK\$392,655,000) (31 December 2020: RMB321,523,000 (equivalent to HK\$382,020,000)) and the time deposit of HK\$13,000,000 (31 December 2020: HK\$13,000,000) as security for the borrowing, no other assets of the Group were pledged to secure 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 Mainland China 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 the Group's total assets and liabilities. As a result, we consider that the Group's foreign exchange risk exposure is manageable and the Group will closely monitor the risk exposure from time to time.

Contingent Liabilities

The Group had no material contingent liabilities at 30 June 2021 and 31 December 2020.

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 2021, the Group did not hold any significant investments which constitute 5% or more of its total assets.

Provision for impairment

The Group recorded net impairment loss of approximately HK\$287,072,000 for the Period, which was mainly attributable to the following:

- Under one margin project of the Group, advances to customers in margin financing were crystalized and converted into other loans and debt instruments on 30 April 2020 through deeds of assignment, with the main collateral being the shares of a listed company in Hong Kong. In the first half of 2021, such listed company in Hong Kong was subject to a petition for liquidation by its creditors and the value of the shares dropped significantly. Accordingly, the management made a provision for impairment of HK\$229 million based on the market value of the listed company's shares as recoverable value.
- Under one margin project of the Group, advances to customers in margin financing were crystalized and converted into other loans and debt instruments on 30 April 2020 through deeds of assignment, with the main collateral being the shares of a listed company in Hong Kong. In the first half of 2021, the listed company was subject to a liquidation order by the Hong Kong court and its trading was suspended. The management assessed the value of the collateral taking into account the impact of the suspension of the listed company and a provision for impairment of HK\$80 million was made during the Period.
- The creditors' right assets in a fixed income project of the Group was disposed of by way of listing-for-sales through a domestic exchange in late 2020 and the transferee signed the Creditor's Right Assignment Agreement with the Group. As at the date of this interim report, the Group has received the deposit of RMB20 million and part of assignment price of RMB260 million out of total assignment price of RMB680 million in total from the transferee. The management made an impairment reversal adjustment based on the recoverability and progress of the project, with a reversal of impairment of HK\$219 million during the Period.

- Two fixed income projects of the Group was subject to a petition for liquidation by the Group in 2020 and a liquidation order was issued by the Hong Kong court in that year. The guarantor and the de facto controller were also declared bankrupt. After the assessment of the recoverability of the project, a larger amount of impairment provision was made in 2020. Given that the liquidation procedure has been in progress for more than one year, the management made further impairment provision of HK\$21 million in the Period out of the prudent consideration.
- One of the Group's public bond issuers is an airline company and the bonds are currently in default. In the first half of 2021, due to the impact of the COVID-19 pandemic, the company's fundamentals continued to deteriorate, negative market sentiment increased and bond prices declined. As such, the management adopted the average default loss rate of Moody's Caa-rating as the basis for the provision for impairment and made an impairment provision of HK\$65 million.
- A fixed income project of the Group became overdue at the end of 2020 owing to the impact of COVID-19. As the overdue continued, the project was transferred to stage three under the credit impairment model, and a provision of HK\$24 million was made.
- An impairment provision of HK\$48 million in aggregate was made in respect of nine finance lease projects of the Group which were classified as stage 3 under the impairment model.

The Group will assess the expected credit risk and impairment of financial assets at amortized cost and financial assets at fair value through other comprehensive income on an ongoing basis and communicate with the management and/or Board on the impact of the relevant events on specific items and on the financial reporting of the Group in a timely manner in accordance with internal procedures. At the same time, the Group will actively take further actions to collect unrecovered amounts and endeavour to recover amounts from customers through legal actions and disposal of collaterals.

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 2021, the Group employed a total of 82 employees (31 December 2020: 79 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 market rates, are competitive and performance-based.

INDEPENDENT REVIEW REPORT



Ernst & Young
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Quarry Bay, Hong Kong

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香港鰂魚涌英皇道979號
太古坊一座27樓

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 13 to 61, 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 2021 and the related condensed consolidated statement 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.

Ernst & Young
Certified Public Accountants
Hong Kong
28 August 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Notes	For the six months ended 30 June	
		2021 (Unaudited) HK\$'000	2020 (Unaudited and restated) HK\$'000
REVENUE			
Commission and fee income	4	17,916	12,969
Interest income	4		
Interest income calculated using the effective interest method		174,755	263,484
Others		94,951	160,418
Investment income	4	1,516	31,548
		289,138	468,419
Net gain/(loss) on financial assets at fair value through profit or loss		11,413	(203,908)
Net loss arising from disposal of financial assets at fair value through others comprehensive income		(6,558)	(16,166)
Other income and gains or losses, net		29,591	(36,660)
Brokerage and commission expenses		(8,013)	(4,541)
Administrative and other operating expenses		(107,488)	(131,973)
Impairment losses, net		(287,072)	(132,660)
Finance costs	5	(248,286)	(411,392)
LOSS BEFORE TAX	6	(327,275)	(468,881)
Income tax expense	7	(8,659)	(8,446)
LOSS FOR THE PERIOD		(335,934)	(477,327)
Attributable to:			
Equity holders of the Company		(446,488)	(498,099)
Holder of perpetual capital securities		78,541	32,955
Non-controlling interests		32,013	(12,183)
		(335,934)	(477,327)
BASIC LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8	HK5.1 cents	HK8.0 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited and restated)
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	(335,934)	(477,327)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Fair value loss on financial assets at fair value through other comprehensive income	(18,252)	(60,148)
Net provision for impairment of financial assets at fair value through other comprehensive income included in profit or loss	63,437	9,866
Reclassification adjustments relating to disposal of financial assets at fair value through other comprehensive income during the period	6,558	16,166
Exchange differences on translating foreign operations, net	(3,855)	4,745
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	47,888	(29,371)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(288,046)	(506,698)
Attributable to:		
Equity holders of the Company	(398,600)	(529,952)
Holder of perpetual capital securities	78,541	32,955
Non-controlling interests	32,013	(9,701)
	(288,046)	(506,698)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	Notes	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		19,363	24,369
Other long term assets		4,368	5,081
Intangible assets		2,350	4,190
Right-of-use assets		104,835	128,836
Financial assets at fair value through profit or loss	9	1,442,462	1,789,810
Financial assets at fair value through other comprehensive income	10	689,723	1,591,337
Prepayments, deposits and other receivables		20,937	20,937
Finance lease receivables	12	168,745	463,933
Other loans and debt instruments	13	991,113	1,313,915
Deferred tax assets		52,232	52,232
Total non-current assets		3,496,128	5,394,640
CURRENT ASSETS			
Advances to customers in margin financing	14	252,897	90,183
Finance lease receivables	12	788,894	531,634
Accounts receivable	15	86,454	164,884
Prepayments, deposits and other receivables		205,901	145,658
Financial assets at fair value through profit or loss	9	3,740,362	3,715,676
Financial assets at fair value through other comprehensive income	10	275,063	960,124
Other loans and debt instruments	13	1,586,135	1,796,813
Amounts due from related parties		4,746	3,825
Tax recoverable		57,732	61,245
Restricted bank balances	16	354,088	380,295
Deposits in other financial institutions		16,106	16,921
Pledged bank deposit	17	13,000	13,000
Cash and cash equivalents	17	1,840,991	1,720,306
Total current assets		9,222,369	9,600,564

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	Notes	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
CURRENT LIABILITIES			
Accounts payable	18	385,838	616,572
Other liabilities, payables and accruals	19	348,999	708,834
Interest-bearing borrowings	20	3,965,505	3,920,973
Repurchase agreements	22	991,654	1,252,605
Tax payable		87,869	94,943
Lease liabilities		60,033	55,593
Financial liabilities at fair value through profit or loss	9	51,225	53,282
Amounts due to related parties		57,476	59,341
Total current liabilities		5,948,599	6,762,143
NET CURRENT ASSETS		3,273,770	2,838,421
TOTAL ASSETS LESS CURRENT LIABILITIES		6,769,898	8,233,061
NON-CURRENT LIABILITIES			
Other liabilities, payables and accruals	19	5,383	18,204
Deferred tax liabilities		2,093	2,093
Interest-bearing borrowings	20	5,901,559	6,745,326
Lease liabilities		55,762	86,262
Total non-current liabilities		5,964,797	6,851,885
Net assets		805,101	1,381,176
EQUITY			
Share capital	21	8,710	8,710
Share premium and reserves		(3,237,392)	(2,838,792)
Equity attributable to owners of the company		(3,228,682)	(2,830,082)
Perpetual capital securities classified as equity instruments	23	2,755,889	2,755,872
Non-controlling interests		1,277,894	1,455,386
Total equity		805,101	1,381,176

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the company												
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus (note ii) HK\$'000	Capital reserves (note ii) HK\$'000	Statutory reserve (note i) HK\$'000	Merger reserve (note iv) HK\$'000	Currency translation reserve HK\$'000	FVTOCI investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Perpetual capital securities HK\$'000	Non-Controlling interests (note v) HK\$'000	Total equity HK\$'000
At 1 January 2021 (audited)	8,710	3,220,249	139,615	636,129	31,973	-	(4,335)	(199,117)	(6,663,306)	(2,830,082)	2,755,872	1,455,386	1,381,176
Loss for the period	-	-	-	-	-	-	-	-	(446,488)	(446,488)	78,541	32,013	(335,934)
Fair value loss on financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	(18,252)	-	(18,252)	-	-	(18,252)
Net provision of impairment of financial assets at fair value through other comprehensive income included in profit or loss	-	-	-	-	-	-	-	63,437	-	63,437	-	-	63,437
Reclassification adjustment relating to disposal of financial assets at fair value through other comprehensive income during the period	-	-	-	-	-	-	-	6,558	-	6,558	-	-	6,558
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(3,855)	-	-	(3,855)	-	-	(3,855)
Total comprehensive loss for the period	-	-	-	-	-	-	(3,855)	51,743	(446,488)	(398,600)	78,541	32,013	(288,046)
Distribution relating to perpetual capital securities	-	-	-	-	-	-	-	-	-	-	(78,524)	(209,505)	(288,029)
At 30 June 2021 (unaudited)	8,710	3,220,249	139,615	636,129	31,973	-	(8,190)	(147,374)	(7,109,794)	(3,228,682)	2,755,889	1,277,894	805,101
At 1 January 2020 (restated)	6,200	2,582,875	139,615	636,129	31,973	(264,100)	7,167	(238,909)	(2,835,586)	65,364	1,207,430	1,338,674	2,611,468
Loss for the period	-	-	-	-	-	-	-	-	(498,099)	(498,099)	32,955	(12,183)	(477,327)
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	-	-	-	-	-	-	2,263	-	-	2,263	-	2,482	4,745
Total comprehensive loss for the period	-	-	-	-	-	-	2,263	(34,116)	(498,099)	(529,952)	32,955	(9,701)	(506,698)
New perpetual capital securities issued during the period	-	-	-	-	-	-	-	-	-	-	1,550,300	-	1,550,300
Distribution relating to perpetual capital securities	-	-	-	-	-	-	-	-	-	-	(33,322)	-	(33,322)
At 30 June 2020 (unaudited and restated)	6,200	2,582,875	139,615	636,129	31,973	(264,100)	9,430	(273,025)	(3,333,685)	(464,588)	2,757,363	1,328,973	3,621,748

Notes:

- (i) Pursuant to the Article of the Company Law of the People's Republic of China (the "PRC"), the entity established in the PRC is required to appropriate 10% of its net profit to statutory reserve until the balance reaches 50% of its registered capital.
- (ii) Under the Bermuda Companies Act, the Company's contributed surplus is distributable to shareholders under certain circumstances.
- (iii) The capital reserve represents deemed contribution arising from the disposal of subsidiaries to China Huarong Overseas Investment Holdings Co., Limited ("**Huarong Overseas**"), a fellow subsidiary of the Group.
- (iv) Merger reserve was arising on the application of merger accounting method in relation to the combination with entity under common control.
- (v) Non-controlling interests represented minority shareholder interests and interests of holders of perpetual capital securities of HRIV as at 1 January 2020 and 30 June 2020; while non-controlling interests represented solely interests of holders of perpetual capital securities of HRIV as at 1 January 2021 and 30 June 2021.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	2021	2020
	(Unaudited)	(Unaudited
	HK\$'000	and restated)
		HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(327,275)	(468,881)
Total non-cash adjustments	322,730	475,142
Total working capital adjustments	43,138	144,414
Cash generated from operations	38,593	150,675
Tax paid	(12,220)	(126,389)
Interest received	127,518	486,480
Net cash flows from operating activities	153,891	510,766
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received	1,516	360
Decrease in other long term assets	713	32
Purchases of items of property, plant and equipment	(1,429)	(3,712)
Proceeds from disposal of property, plant and equipment	–	1,263
Proceeds from disposal of financial assets at fair value through other comprehensive income	1,589,563	782,366
Net cash flows from investing activities	1,590,363	780,309
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of interest-bearing borrowings	–	1,020,480
Repayment of interest-bearing borrowings	(799,235)	(5,022,849)
Interest paid	(501,868)	(317,320)
Net changes from amount due to/from related parties	(2,786)	(4,164)
Repayment of lease liabilities	(27,704)	(62,557)
Proceeds from issuance of perpetual capital securities	–	1,550,300
Distribution to perpetual capital securities holder	(78,524)	(33,322)
Distribution to non-controlling interests	(209,505)	–
Net cash flows used in financing activities	(1,619,622)	(2,869,432)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	2021	2020
	(Unaudited)	(Unaudited
	HK\$'000	and restated)
		HK\$'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	124,632	(1,578,357)
Cash and cash equivalents at the beginning of the period	1,720,306	3,997,190
Effect of foreign exchange rate changes, net	(3,855)	(27,153)
Effect of impairment of cash and cash equivalents	(92)	–
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	1,840,991	2,391,680
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash as stated in the condensed consolidated statement of financial position	1,840,991	2,395,176
Bank balances and cash with original maturity of more than three months	–	(3,496)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	1,840,991	2,391,680

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 principal activity of the Company is investment holding. 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 intermediate controlling shareholder of the Company is China Huarong International Holdings Limited (“**CHIH**”) that is incorporated in Hong Kong through Camellia Pacific Investment Holding Limited and Right Select International Limited, both of which are incorporated in British Virgin Islands and wholly-owned subsidiaries of CHIH. China Huarong Asset Management Co., Ltd. (“**China Huarong**”), a company established in the PRC and whose shares are listed on the Stock Exchange, became the ultimate holding company since 2015. China Huarong is indirectly controlled by the PRC Government through the Ministry of Finance (the “**MOF**”). On 10 November 2020 (Cayman Islands time), the Company successfully privatised Huarong Investment Stock Corporation Limited (“**HRIV**”). HRIV becomes a wholly-owned subsidiary of the Company.

This unaudited interim financial information was approved by the board of directors (the “**Board**”) for issue on 28 August 2021.

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 2021 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 2020.

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

On 10 November 2020 (Cayman Islands time), the Privatization of HRIV by the Company has completed. There was allotment and issuance of approximately 5.1 billion ordinary shares in connection with the privatization of HRIV by the Company. Since both the Company and HRIV are under common control, the management of the Group has applied the merger accounting method in accordance with the Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA in the preparation of financial statements. The comparative amounts have been restated accordingly as if the combination had occurred at the beginning of year 2020.

Based on the Company’s business operations, available liquid funds, possible sources of finance, and future operating plan. The Company’s management are of the view that the Company is capable of ensuring the Group’s continued operation in the next 12 months, by considering the above to obtain sufficient working capital and maintain liquidity. Accordingly, the Company considers it appropriate to adopt the going concern basis for the preparation of the Company’s interim financial information.

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 2020, 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 9, HKAS 39 , HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

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

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“**RFR**”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate and the London Interbank Offered Rate (“**LIBOR**”) as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the “economically equivalent” criterion is met.

2. Basis of Preparation and changes in accounting policies (continued)

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

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the period ended 30 June 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. A reduction in the lease payments arising from the rent concessions of nil has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2021.

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.

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

- (a) the securities segment comprises the 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;
- (c) the asset management and direct investment segment comprises provision of asset management services and direct investments in equities, bonds, funds, derivative instruments and other financial products; and
- (d) the financial services and others segment comprises finance lease services, business consulting services, financing services and other related services.

Segment performance is evaluated based on reportable segment result, which is measured consistently with the Group's (loss)/profit before tax except that certain other income and gains or losses, certain finance costs and other unallocated expenses (including certain staff costs, certain rental expenses, certain depreciation, certain legal and professional fees and certain other expenses, incurred for strategic planning of the Group) are excluded from such measurement.

3. Operating segment information (continued)

For the measurement of segment liabilities and results, interest-bearing borrowings are not allocated to segment while their corresponding finance costs are allocated to segment results.

(a) Operating segments

The following tables represent the revenue and results for the six months ended 30 June 2021 and 2020 for the Group's operating segments:

Six months ended 30 June 2021 (unaudited)

	Securities HK\$'000	Corporate finance HK\$'000	Asset management and direct investment HK\$'000	Financial services and others HK\$'000	Total HK\$'000
Segment revenue					
Commission and fee income	13,680	3,242	994	-	17,916
Interest income	13,289	-	220,406	36,011	269,706
Investment income	-	-	1,516	-	1,516
	26,969	3,242	222,916	36,011	289,138
Net gain on financial assets at fair value through profit or loss	-	-	11,413	-	11,413
Net loss arising from disposal of financial assets at fair value through other comprehensive income	-	-	(6,558)	-	(6,558)
Other income and gains or losses, net	-	-	25,653	8,136	33,789
	26,969	3,242	253,424	44,147	327,782
Segment results	(3,234)	(1,928)	(216,924)	(23,647)	(245,733)
Other unallocated income and gains or losses, expenses, net					(81,542)
Loss before tax					(327,275)
Income tax expense					(8,659)
Loss for the period					(335,934)

3. Operating segment information (continued)

(a) Operating segments (continued)

Six months ended 30 June 2020 (unaudited and restated)

	Securities HK\$'000	Corporate finance HK\$'000	Asset management and direct investment HK\$'000	Financial services and others HK\$'000	Total HK\$'000
Segment revenue					
Commission and fee income	9,356	235	1,298	2,080	12,969
Interest income	101,054	–	286,711	36,137	423,902
Investment income	–	–	31,548	–	31,548
	110,410	235	319,557	38,217	468,419
Net loss on financial assets at fair value through profit or loss	–	–	(206,128)	2,220	(203,908)
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	4,195	–	(56,466)	2,649	(49,622)
	114,605	235	40,797	43,086	198,723
Segment results					
	(16,629)	(1,520)	(410,669)	33,931	(394,887)
Other unallocated income and gains or losses, expenses, net					(73,994)
Loss before tax					(468,881)
Income tax expense					(8,446)
Loss for the period					(477,327)

3. Operating segment information (continued)

(a) Operating segments (continued)

The following tables present the assets, liabilities for the Group's operating segments as at 30 June 2021 and 31 December 2020.

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Asset		
Securities	895,502	997,992
Corporate finance	37,151	37,186
Asset management and direct investment	8,709,915	10,369,303
Financial services and others	1,208,284	1,186,147
Total segment assets	10,850,852	12,590,628
Other unallocated assets	1,867,645	2,404,576
Total assets	12,718,497	14,995,204
Liabilities		
Securities	389,701	483,711
Corporate finance	1,451	–
Asset management and direct investment	1,341,626	1,753,944
Financial services and others	109,623	107,188
Total segment liabilities	1,842,401	2,344,843
Other unallocated liabilities	10,070,995	11,269,185
Total liabilities	11,913,396	13,614,028

3. Operating segment information (continued)

(a) Operating segments (continued)

Other segment information for the six months ended 30 June 2021 (unaudited)

	Securities HK\$'000	Corporate finance HK\$'000	Asset management and direct investment HK\$'000	Financial services and others HK\$'000	Unallocated HK\$'000	Total HK\$'000
Finance costs	(349)	-	(232,497)	(3,318)	(12,122)	(248,286)
Net provision for impairment of other loans and debt instruments	-	-	(170,119)	-	-	(170,119)
Net provision for impairment advances to customers in margin financing and others	(5,567)	-	-	-	(92)	(5,659)
Net provision for impairment of finance lease receivables	-	-	-	(47,857)	-	(47,857)
Net provision for impairment of financial assets at fair value through other comprehensive income	-	-	(63,437)	-	-	(63,437)

3. Operating segment information (continued)

(a) Operating segments (continued)

Other segment information for the six months ended 30 June 2020 (unaudited and restated)

	Securities HK\$'000	Corporate finance HK\$'000	Asset management and direct investment HK\$'000	Financial services and others HK\$'000	Unallocated HK\$'000	Total HK\$'000
Finance costs	(6,408)	-	(388,379)	(5,596)	(11,009)	(411,392)
Net provision for impairment of other loans and debt instruments	-	-	(41,234)	-	-	(41,234)
Net provision for impairment of an amount due from an associate	-	-	(8,665)	-	-	(8,665)
Net provision for impairment of advances to customers in margin financing and others	(64,718)	-	-	-	-	(64,718)
Net provision for impairment of finance lease receivables	-	-	-	(8,177)	-	(8,177)
Net provision for impairment of financial assets at fair value through other comprehensive income	-	-	(9,866)	-	-	(9,866)

3. Operating segment information (continued)

(b) Geographical information

The Group's operations are located in Hong Kong and the Mainland China.

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

Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	For the six months ended		30 June	
	30 June		30 June	31 December
	2021	2020	2021	2020
	(Unaudited)	(Unaudited and restated)	(Unaudited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	239,201	407,360	126,542	157,382
Mainland China	49,937	61,059	6	13
	289,138	468,419	126,548	157,395

Note: Non-current assets excluded financial assets and deferred tax assets.

(c) Information about major customers

No customer contributed over 10% of total revenue of the Group for the six months ended 30 June 2021 and 30 June 2020.

4. Revenue

The Group's revenue is disaggregated as follows:

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited and restated)
	HK\$'000	HK\$'000
<i>Revenue from contracts with customers</i>		
Commission and fee income (note (i)):		
Fee and commission income on securities dealing and broking	12,651	9,099
Placing and underwriting fee income	–	235
Consultancy and financing advisory fee income	3,344	2,220
Fund subscription management fee income	995	1,298
Other service income	926	117
	17,916	12,969
<i>Revenue from other sources</i>		
Interest income:		
Interest income calculated using the effective interest method		
Interest income from other loans and debt instruments	113,862	114,645
Interest income from finance lease receivables	36,011	36,137
Interest income from margin financing activities	13,289	101,054
Interest income from an amount due from an associate	11,593	11,648
	174,755	263,484
Interest income – others		
Interest income from financial assets at fair value through profit or loss	34,240	65,887
Interest income from financial assets at fair value through other comprehensive income	60,711	94,531
	94,951	160,418
Total interest income	269,706	423,902
Investment income:		
Dividend income	1,516	31,548
Total revenue	289,138	468,419

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 under the scope of HKFRS 15, revenue recognised at a point in time and over time were HK\$16,921,000 (2020: HK\$9,451,000) and HK\$995,000 (2020: HK\$3,518,000), respectively.

5. Finance costs

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited and restated) HK\$'000
Interest on bank borrowings	43,989	75,427
Interest on repurchase agreements and other activities	14,485	26,787
Interest on loans from fellow subsidiaries	14,723	14,254
Interest on loans from an immediate holding company	49,909	59,348
Interest on loans from an intermediate holding company	122,212	230,701
Interest on lease liabilities	2,968	4,875
	248,286	411,392

6. Loss before tax

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

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited and restated) HK\$'000
Depreciation of property, plant and equipment	6,435	8,223
Depreciation of right-of-use assets	25,646	36,019
Gain on disposal of property, plant and equipment	–	866
Auditor's remuneration – interim review	1,725	1,616
Legal and professional fee	7,532	11,739
Employee benefit expenses (including directors' remuneration)	33,655	28,878
Net provision for impairment of other loans and debt instruments	170,119	41,234
Net provision for impairment of amount due from an associate	–	8,665
Net provision for impairment of non-financial assets – intangible asset	1,840	–
Net provision for impairment of advances to customers in margin financing and others	5,659	64,718
Net provision for impairment of finance lease receivables	47,857	8,177
Net provision for impairment of financial assets at fair value through other comprehensive income	63,437	9,866

7. Income tax expense

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited and restated) HK\$'000
Current tax:		
Hong Kong	6,541	8,471
Mainland China	2,118	–
Deferred tax	–	(25)
	8,659	8,446

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

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the 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% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

Under the Law of the People’s Republic of China on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the period. (2020: 25%)

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

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

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited and restated) HK\$'000
Loss		
Loss for the period attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	(446,488)	(498,099)

	For the six months ended 30 June	
	2021 (Unaudited) '000	2020 (Unaudited and restated) '000
Number of shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	8,709,586	6,200,237

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.

9. Financial assets/(liabilities) at fair value through profit or loss

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Financial assets at fair value through profit or loss ("FVTPL")		
Non-current:		
– Unlisted fund investments (note (i))	1,442,462	1,789,810
Current:		
– Unlisted fund investments (note (i))	410,042	48,003
– Listed equity investments	501,775	597,547
– Listed fixed income securities	1,744,809	1,945,717
– Unlisted fixed income securities (note (ii))	440,056	471,389
– Unlisted put options on listed equity securities at fair value (note (iii))	643,680	653,020
	3,740,362	3,715,676
Total financial assets at FVTPL	5,182,824	5,505,486
Financial liabilities at FVTPL		
Current:		
– Unlisted foreign exchange forward contracts	51,225	53,282
Total financial liabilities at FVTPL	51,225	53,282

Note:

- (i) The Group does not expect to transfer the unlisted fund investments of approximately HK\$1,442,462,000 (2020: HK\$1,789,810,000) to third parties within the next twelve months and has accordingly classified them as non-current assets.
- (ii) The coupon rates of these unlisted fixed income securities are ranged from 7% to 8% (2020: from 7% to 8%) per annum as at 30 June 2021. The Group expects to transfer such unlisted fixed income securities to third parties within the next twelve months or they mature within twelve months after the end of the reporting period. The fair value of the convertible bonds was determined by an independent firm of professional valuers not connected to the Group.
- (iii) The Group purchased listed securities together with put options which gives the Group the right to require the issuer of the put option, an independent third party, to purchase shares of listed companies in Hong Kong and Australia at a range of pre-determined prices in a specific period. At the expiry date of the put option, the issuer of put option shall purchase and the Group shall sell all shares that have not been sold till then, at a price determined in accordance with the put option agreement. The fair value of HK\$643,680,000 (2020: HK\$653,020,000) of options expected to be settled within 12 months was estimated by an independent firm of professional valuers not connected to the Group.

10. Financial assets at fair value through other comprehensive income

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Non-current		
Fixed income securities, at fair value	689,723	1,591,337
Current		
Fixed income securities, at fair value	275,063	960,124
	964,786	2,551,461

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\$18,252,000 (2020: loss of approximately HK\$60,148,000). 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\$63,437,000 (2020: HK\$9,866,000). During the period, the Group disposed of financial assets at FVTOCI a loss of approximately HK\$6,558,000 (2020: loss of approximately HK\$16,166,000) to independent third parties 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".

11. Amount due from an associate

Name of entity	Country of incorporation	Interest held by the Group		Principal activities
		30 June 2021	31 December 2020	
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 2021 and 31 December 2020.

The share of profit arisen from Hua Rong Bo Run International Investment Holdings Limited for the period ended 30 June 2021 and 30 June 2020 were nil.

The amount due from an associate, Hua Rong Bo Run International Investment Holdings Limited, with an interest rate of 7% per annum, repayable on 21 May 2022 and extendable for 2 years. The amount due from an associate remained at nil (2020: nil) as at 30 June 2021 after full impairment of HK\$327,761,000 was made in 2020.

12. Finance lease receivables

The finance lease receivables as at 30 June 2021:

	30 June 2021 (Unaudited) HK\$'000
Non-current	168,745
Current	788,894
Total	957,639

12. Finance lease receivables (continued)

	Minimum finance lease receivables (Unaudited) HK\$'000	Present value of minimum finance lease receivables (Unaudited) HK\$'000
Within one year	1,276,986	1,198,655
After one year but within two years	182,884	175,371
After two years but within three years	25,360	24,753
	1,485,230	1,398,779
Less: Unearned finance income	(86,451)	–
	1,398,779	1,398,779
Less: Allowance for impairment losses	(441,140)	(441,140)
Carrying amount of finance lease receivables	957,639	957,639

The finance lease receivables as at 31 December 2020:

	31 December 2020 (Audited) HK\$'000
Non-current	463,933
Current	531,634
Total	995,567

12. Finance lease receivables (continued)

	Minimum finance lease receivables (Audited) HK\$'000	Present value of minimum finance lease receivables (Audited) HK\$'000
Within one year	890,616	810,516
After one year but within two years	543,278	522,519
After two years but within three years	59,400	56,379
	1,493,294	1,389,414
Less: Unearned finance income	(103,880)	–
	1,389,414	1,389,414
Less: Allowance for impairment losses	(393,847)	(393,847)
Carrying amount of finance lease receivables	995,567	995,567

The movement of ECL on finance lease receivables:

	HK\$'000
At 1 January 2020 (restated)	334,520
Net recognition of impairment losses for the year	60,582
Exchange difference arising on translation of foreign operations	(1,255)
At 31 December 2020 and 1 January 2021 (audited)	393,847
Net recognition of impairment losses for the period	47,857
Exchange difference arising on translation of foreign operations	(564)
At 30 June 2021 (unaudited)	441,140

At 30 June 2021 and 31 December 2020, finance lease receivables were all secured by the lease assets which are mainly machineries, motor vehicles and equipment. Effective interest rates of the above finance leases ranged from 7.04% to 9.44% per annum (31 December 2020: 7.04% to 9.44% per annum).

At 30 June 2021, the gross carrying amount of the finance lease receivables which has been pledged as security for the borrowing, is RMB326,728,000 (equivalent to HK\$392,655,000) (31 December 2020: RMB321,523,000 (equivalent to HK\$382,020,000)).

13. Other loans and debt instruments

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Other loans and debt instruments	5,723,600	6,118,324
Provision for allowance of expected credit losses	(3,146,352)	(3,007,596)
	2,577,248	3,110,728
Non-current	991,113	1,313,915
Current	1,586,135	1,796,813
	2,577,248	3,110,728

As at 30 June 2021, 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 6% to 13% per annum (31 December 2020: 6% to 13% per annum) with contractual maturity repayable on demand or up to 2 years from 30 June 2021 (31 December 2020: repayable on demand or up to 2 years).

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 2021, other loans and debt instruments with a carrying amount of approximately HK\$2,552,427,000 were secured by equity interests in companies listed on Hong Kong and Mainland China, residential properties in Hong Kong, land and properties in the Mainland China, land and properties in the United States, and unlisted equity interests which were backed by guarantees from corporates or individuals (31 December 2020: HK\$3,081,717,000 were secured by equity interests in companies listed on Hong Kong and Mainland China, residential properties in Hong Kong, land and properties in the Mainland China, land and properties in the United States, and unlisted equity interests which were backed by guarantees from corporates or individuals.). There were unsecured other loans and debt instruments with a carrying amount of approximately HK\$24,821,000 as at 30 June 2021 (31 December 2020: HK\$29,011,000) which were guaranteed by an independent third party.

13. Other loans and debt instruments (continued)

As at 30 June 2021, the Group has concentration of credit risk as 62% (31 December 2020: 57%) of the total other loans and receivables which were due from the Group's five largest other borrowing customers (31 December 2020: five largest other borrowing customers).

The management of the Group estimates 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 2021, the average loss rate for 12-month ECL, lifetime ECL (not credit-impaired) and lifetime ECL (credit-impaired) were 0.01% (31 December 2020: 0.03%), 0.01% (31 December 2020: 2.84%) and 59% (31 December 2020: 60%) respectively.

As at 30 June 2021 and 31 December 2020, the contractual amount outstanding on other loans and debt instruments that have been written off, but were still subject to enforcement activity was nil.

Novation loans

The Hong Kong economy has been greatly impacted by the US and China trade tariff dispute and worsened further by the recent Coronavirus outbreak, certain margin clients concerned have been unable to repay the margin loans as scheduled despite the vigorous efforts by the Group to demand repayment. The margin loan recovery plan has met these major obstacles unexpected and not been able to deliver satisfactory results to date.

According to Paragraphs 3.10 and 6.4 of Guidelines for Securities Margin Financing Activities ("SMF Guidelines"), a Securities Margin Financing ("SMF") broker should assess the concentration risks of individual securities collateral by estimating the impact on its excess liquid capital of the hypothetical stress scenario of the securities held as collateral being valued at nil by the FRR for liquid capital calculation purposes and a SMF broker should also take reasonable steps to avoid excessive exposure to outstanding margin calls.

In order to comply with the requirements of the SMF Guidelines, a subsidiary of the Company ("subsidiary A") had notified the Securities and Futures Commission ("SFC") as at 6 March 2020 that it has worked out various alternative measures.

13. Other loans and debt instruments (continued)

Thereafter, the subsidiary A of the company had taken action to restructure certain margin loans and underlying collaterals into certain loans backed by security interest and guarantee (if any) by assigning the debts and other rights and interests to a subsidiary B of the company (“**subsidiary B**”) through executing agreements with certain margin customers and their guarantors (if any). Subsidiary A has signed deeds of assignment with certain margin customers which were effective on 30 April 2020 and subsidiary A thereby assigned certain advances to customers in margin financing to subsidiary B. Subsidiary B also signed side deeds during 2020 with subsidiary A that, in consideration for the abovementioned assignment of debts and other rights and interests, subsidiary B will pay a gross amount of HK\$2,447,008,000 at transaction price to subsidiary A for the transfer within 3 years. This balance is unsecured and interest-free.

14. Advances to customers in margin financing

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Advances to customers in margin financing	1,081,913	913,636
Less: provision for impairment	(829,016)	(823,453)
	252,897	90,183

The advances 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.

14. Advances to customers in margin financing (continued)

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 its credit risk. Advances to customers 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.

As at 30 June 2021, the Group has concentration of credit risk as 79% (31 December 2020: 92%) 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 estimates 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 2021, the average loss rate for 12-month ECL, lifetime ECL (not credit-impaired) and lifetime ECL (credit-impaired) were 0.07% (31 December 2020: 0.13%), nil (31 December 2020: nil), and 94% (31 December 2020: 94%) respectively.

As at 30 June 2021 and 31 December 2020, 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.

During 2020, subsidiary A has signed deeds of assignment with certain margin customers effective on 30 April 2020 which is detailed in note 13.

15. Accounts receivable

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Accounts receivable from:		
– securities, futures and options dealing services		
– clients	1,882	3,680
– brokers, dealers and clearing houses	54,403	86,903
– corporate finance	83,003	83,241
– asset management and others	38,333	82,224
	177,621	256,048
Less: Provision for allowance of expected credit losses	(91,167)	(91,164)
	86,454	164,884

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

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
0–30 days	48,106	90,429
31–90 days	15	74,455
91–365 days	38,333	–
Over 365 days	–	–
	86,454	164,884

15. Accounts receivable (continued)

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

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
At beginning of period/year	91,164	82,410
Impairment losses, net	3	12,149
Amount written off during the period/year	-	(3,395)
At end of period/year	91,167	91,164

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 2021, accounts receivable amounting to HK\$121,336,000 (31 December 2020: HK\$165,465,000) are arising from corporate finance and asset management business which is under the scope of HKFRS 15. As at 30 June 2021, allowance amounting to HK\$90,891,000 (31 December 2020: HK\$90,891,000) has been made accordingly.

The remaining provision for impairment of accounts receivable is the provision for individually impaired accounts receivable from securities clients of approximately HK\$276,000 (31 December 2020: HK\$273,000).

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 and pledged bank deposit

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Cash and bank balances	1,827,050	1,637,413
Time deposits	26,941	95,893
	1,853,991	1,733,306
Less:		
Pledged time deposit for short term bank loans	(13,000)	(13,000)
Cash and cash equivalents	1,840,991	1,720,306

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 and pledged deposit are deposited with creditworthy banks with no recent history of default.

As at 30 June 2021, HK\$13,000,000 (2020: HK\$13,000,000) time deposit has been pledged for a bank borrowing.

18. Accounts payable

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

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Current to 1 month	385,838	616,572

As at 30 June 2021, included in the accounts payable is the account payable to financial institutions of approximately HK\$ nil (31 December 2020: HK\$219,904,000) 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 2021, accounts payable with carrying amount of approximately HK\$383,552,000 (31 December 2020: HK\$396,615,000) are interest-bearing at bank savings deposit rates.

19. Other liabilities, payables and accruals

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Current:		
Other payables	114,016	67,894
Interest payables (note (i))	170,814	424,396
Accruals	17,059	19,327
Receipt in advance	47,110	197,217
	348,999	708,834
Non-current:		
Other payables	5,383	18,204
	354,382	727,038

Other payables and accrued liabilities are non-interest-bearing.

Note:

- (i) Included in interest payables are the interest payables amounting to HK\$29,981,000 (31 December 2020: HK\$29,158,000) in relation to the loans from an intermediate holding company of an aggregate amount of US\$605,115,000 (31 December 2020: US\$605,115,000) at annual interest rates of ranging from 4.3% to 7.98% (31 December 2020: 4.3% to 7.98%) and HK\$15,410,000 (31 December 2020: HK\$15,861,000) interest payable in relation to bank borrowings. Moreover, interest payables of HK\$20,356,000 (2020: HK\$309,106,000) is related to the loans from an immediate holding company and HK\$105,356,000 (2020: HK\$94,148,000) is related to unsecured loans from fellow subsidiaries.

20. Interest-bearing borrowings

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Non-current:		
Secured bank borrowings	–	31,150
Unsecured loans from an intermediate holding company	4,227,081	4,691,214
Unsecured loans from an immediate holding company	1,674,478	2,022,962
	5,901,559	6,745,326
Current:		
Secured bank borrowings	144,048	216,151
Unsecured bank borrowings	2,399,001	3,111,457
Unsecured loans from fellow subsidiary	600,144	593,365
Unsecured loans from an immediate holding company	351,405	–
Unsecured loans from an intermediate holding company	470,907	–
	3,965,505	3,920,973
Total interest-bearing borrowings	9,867,064	10,666,299

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
The carrying amounts of the above borrowings are repayable based on scheduled repayment dates set out in the loan agreements:		
On demand or within one year	3,965,505	3,920,973
Within a period of more than one year but not exceeding two years	–	852,275
Within a period of more than two years but not exceeding five years	3,972,200	3,966,473
Within a period of more than five years	1,929,359	1,926,578
	9,867,064	10,666,299

20. Interest-bearing borrowings (continued)

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Denominated in:		
HK\$	2,529,000	2,629,000
US\$	6,723,871	7,326,632
RMB	614,193	710,667
	9,867,064	10,666,299

The bank borrowings as at 30 June 2021 carry variable interest at Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 2% to 2.60% and London Interbank Offered Rate (“**LIBOR**”) plus 2.50% per annum (31 December 2020: HIBOR plus 1.60% to 2.60%, LIBOR plus 1.60% to 2.50% per annum).

In addition, the Group had loans (the “**Company Loans**”) amounting to approximately US\$605,115,000 (equivalent to approximately HK\$4,697,988,000) (31 December 2020: US\$605,115,000 (equivalent to approximately HK\$4,691,214,000)) from its intermediate holding company, 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 2020: 4.3% to 7.98% per annum) and are repayable in eleven months to eight years (31 December 2020: after one year and within nine years) from the end of the reporting period.

Furthermore, the Group had loans amounting to approximately US\$260,940,000 (equivalent to approximately HK\$2,025,883,000) (31 December 2020: US\$260,940,000 (equivalent to approximately HK\$2,022,962,000)) from its immediate holding company, for the operation of the Group’s business. The loans bear interest at fixed interest rates ranging from 3.87% to 5.81% per annum (2020: 3.87% to 5.81% per annum) and are repayable in eleven months to eight years (31 December 2020: after two years and within nine years) from the end of the reporting period.

In addition, the Group had a loan denominated in RMB of approximately RMB499,400,000 (equivalent to approximately HK\$600,144,000) (31 December 2020: RMB499,400,000 (equivalent to approximately HK\$593,365,000)) from its fellow subsidiary, for the operation of the Group’s business. The loan bears interest at fixed interest rates 4.75% per annum (2020: 4.75% per annum) and is repayable within one year (2020: within one year).

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

20. Interest-bearing borrowings (continued)

As at 30 June 2021, the Group failed to comply with certain financial conditions stipulated in certain lending and borrowing agreements, and the relevant amount of these borrowings was HK\$624,000,000. Subsequent to date of interim financial information, the Group failed to comply with certain non-financial conditions stipulated in certain lending and borrowing agreements, and the relevant amount of these borrowings was HK\$2,329,000,000. Up to the date of the issuance of the interim financial information, the Group has either received waiver or is in active dialogue with the relevant banks. These banks still provide normal banking facilities to the Group and have not yet requested early repayments of borrowings.

21. Share capital

	Number of shares '000,000	Share capital HK\$'000
Authorised:		
Ordinary shares of HK\$0.001 each at 1 January 2020, 31 December 2020, 1 January 2021 and 30 June 2021	1,000,000	1,000,000
Issued and fully paid:		
At 1 January 2020 (audited)	3,588	3,588
Issue of shares (note a)	5,122	5,122
At 31 December 2020 (audited) and 30 June 2021 (unaudited)	8,710	8,710

All shares issued during the prior period rank pari passu with the then existing ordinary shares in all respects.

Note (a): The difference between share capital presented on the condensed consolidated statement of financial position and in note 21 above arises from the adjustment on consideration shares issued to the controlling party for the acquisition of HRIV as a result of the application of merger accounting.

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 2021, the obligation under repurchase agreements was HK\$991,654,000 (31 December 2020: HK\$1,252,605,000).

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.

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Financial assets at fair value through other comprehensive income	580,835	737,137
Financial assets at fair value through profit or loss	1,045,779	1,077,083
	1,626,614	1,814,220

23. Perpetual capital securities classified as equity instruments

	Principal HK\$'000	Distribution HK\$'000	Total HK\$'000
Balance at 1 January 2020 (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	–	111,403	111,403
Distribution relating to perpetual capital securities	–	(113,261)	(113,261)
Balance at 31 December 2020 (audited)	2,737,154	18,718	2,755,872
Profit attributable to holder of perpetual capital securities	–	78,541	78,541
Distribution relating to perpetual capital securities	–	(78,524)	(78,524)
Balance at 30 June 2021 (unaudited)	2,737,154	18,735	2,755,889

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	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Short term employee benefit	2,629	2,366

24. Related party transactions (continued)

- (b) During the period ended 30 June 2021, the Group had the following material transactions with related parties:

	For the six months ended	
	30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest expenses to an intermediate holding company (note (i))	122,212	230,701
Underwriting income from a fellow subsidiary (note (ii))	–	235
Interest income from amount due from an associate (note (iii))	11,593	11,648
Interest expense to the fellow subsidiary (note (iv))	14,723	14,254
Other income from a fellow subsidiary (note (v))	–	10,354
Interest expense to an immediate holding company (note (vi))	49,909	59,348

Notes:

- (i) During the period, CHIH, an intermediate holding company provided an aggregate amount of approximately US\$605,115,000 (31 December 2020: approximately US\$605,115,000), equivalent to approximately HK\$4,697,988,000 (31 December 2020: equivalent to approximately HK\$4,691,214,000) company loans. The loans bear annual interest rate ranging from 4.3% to 7.98% per annum (31 December 2020: 4.3% to 7.98% per annum) and are repayable in eleven months to eight years (31 December 2020: two years to nine years) from the end of the reporting period. Approximately HK\$122,212,000 (30 June 2020: HK\$230,701,000) interest expenses are incurred from the loans as at 30 June 2021.
- (ii) During the period ended 30 June 2021, the Group earned underwriting income of nil (30 June 2020: HK\$235,000) from its fellow subsidiary in respect of the issuance of medium term notes.
- (iii) During the period ended 30 June 2021, the Group earned interest income of HK\$11,593,000 (30 June 2020: HK\$11,648,000) from an amount due from an associate.
- (iv) During the period, a fellow subsidiary provided an aggregate amount of HK\$600,144,000 (30 June 2020: HK\$554,388,000) company loan for operation of the Group's business. As a result, finance cost paid to a fellow subsidiary of HK\$14,723,000 (30 June 2020: HK\$14,254,000) is incurred for the period ended 30 June 2021.
- (v) During the period, other income amounted to nil (30 June 2020: HK\$10,354,000) from a fellow subsidiary, China Huarong Overseas Investment Holdings Co., Limited in respect of rental of property.
- (vi) During the period, an immediate holding company Right Select International Limited provided an aggregate amount of HK\$2,025,884,000 (30 June 2020: HK\$2,526,465,000) company loans for the operation of the Group's business. As a result, finance cost paid to an intermediate group company of HK\$49,909,000 (30 June 2020: HK\$59,348,000) is incurred for the period ended 30 June 2021.

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 2021. 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:

30 June 2021, 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	–	471,184	218,539	689,723
Financial assets at fair value through profit or loss				
– Unlisted fund investments	–	39,153	1,403,309	1,442,462
	–	510,337	1,621,848	2,132,185
Current				
Financial assets at fair value through other comprehensive income	–	275,063	–	275,063
Financial assets at fair value through profit or loss				
– Unlisted fund investments	–	410,042	–	410,042
– Listed equity investments	501,775	–	–	501,775
– Listed fixed income securities	–	1,744,809	–	1,744,809
– Unlisted fixed income securities	–	–	440,056	440,056
– Unlisted put options on listed equity securities at fair value	–	–	643,680	643,680
	501,775	2,429,914	1,083,736	4,015,425
Total financial assets measured at fair value	501,775	2,940,251	2,705,584	6,147,610
Liabilities				
Current				
Financial liabilities at fair value through profit or loss				
– Unlisted foreign exchange forward contracts	–	51,225	–	51,225
Total financial liabilities measured at fair value	–	51,225	–	51,225

25. Fair value measurements of financial instruments (continued)

31 December 2020, 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	–	1,339,271	252,066	1,591,337
Financial assets at fair value through profit or loss				
– Unlisted fund investments	–	420,339	1,369,471	1,789,810
	–	1,759,610	1,621,537	3,381,147
Current				
Financial assets at fair value through other comprehensive income	–	960,124	–	960,124
Financial assets at fair value through profit or loss				
– Unlisted fund investments	–	48,003	–	48,003
– Listed equity investments	597,547	–	–	597,547
– Listed fixed income securities	–	1,945,717	–	1,945,717
– Unlisted fixed income securities	–	–	471,389	471,389
– Unlisted put options on listed equity securities at fair value	–	–	653,020	653,020
	597,547	2,953,844	1,124,409	4,675,800
Total financial assets measured at fair value	597,547	4,713,454	2,745,946	8,056,947
Liabilities				
Current				
Financial liabilities at fair value through profit or loss				
– Unlisted foreign exchange forward contracts	–	53,282	–	53,282
Total financial liabilities measured at fair value	–	53,282	–	53,282

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).

An analysis of the Group's financial assets/(liabilities) measured at fair value as at 30 June 2021 and 31 December 2020 are as follows:

	Fair value as at 30 June 2021 (Unaudited) HK\$'000	Fair value as at 31 December 2020 (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 at FVTPL							
(1) Financial assets at FVTPL	Listed equity investments: - HK\$501,775	Listed equity investments: - HK\$597,547	Level 1	Note (a)	N/A	N/A	N/A
(2) Financial assets at FVTPL	Unlisted put option: - HK\$567,648	Unlisted put option: - HK\$580,448	Level 3	Note (i)	Expected volatility: 32.34% (31 December 2020: 28.23%)	1,000 basis points (volatility ranging from 29.10% to 35.57%) (31 December 2020: 25.41% to 31.05%)	Increase/decrease in volatility: HK\$181/HK\$(114) (31 December 2020: HK\$2,000/ HK\$(1,000))
(3) Financial assets at FVTPL	Unlisted put option: - HK\$76,032	Unlisted put option: - HK\$72,572	Level 3	Note (i)	Expected volatility: 52.24% (31 December 2020: 72.24%)	1,000 basis points (volatility ranging from 47.02% to 57.47%) (31 December 2020: 65.01% to 79.46%)	Increase/decrease in volatility: HK\$1,196 /HK\$(417) (31 December 2020: HK\$908,000/HK\$(773,000))
(4) Financial assets at FVTPL	Listed fixed income securities: - HK\$1,744,809	Listed fixed income securities: - HK\$1,945,717	Level 2	Note (b)	N/A	N/A	N/A
(5) Financial assets at FVTPL	Unlisted fund investments - HK\$449,195	Unlisted fund investments - HK\$468,342	Level 2	Note (g)	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 2021 (Unaudited) HK\$'000	Fair value as at 31 December 2020 (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
(6) Financial assets at FVTPL	Unlisted fund investments - HK\$368,513	Unlisted fund investments - HK\$377,071	Level 3	Note (d)	Net asset value	1,000 basis points	Increase/decrease in net asset value of HK\$36,851,000/ HK\$(36,851,000) (31 December 2020: HK\$37,707,000/ HK\$(37,707,000))
(7) Financial assets at FVTPL	Unlisted fund investments - HK\$164,833	Unlisted fund investments - HK\$170,393	Level 3	Note (h)	Net asset value	1,000 basis points	Increase/decrease in net asset value of HK\$16,483,000/ HK\$(16,483,000) (31 December 2020: HK\$17,039,000/ HK\$(17,039,000))
(8) Financial assets at FVTPL	Unlisted fund investments - HK\$869,963	Unlisted fund investments - HK\$822,007	Level 3	Note (f)	Net asset value	1,000 basis points	Increase/decrease in net asset value of HK\$86,996,000/ HK\$(86,996,000) (31 December 2020: HK\$82,201,000/ HK\$(82,201,000))
(9) Financial assets at FVTPL	Unlisted bonds, convertible bonds: - HK\$440,056	Unlisted bonds, convertible bonds: - HK\$471,389	Level 3	Note (f) and (i)	Liquidity spread: 7.88% (31 December 2020: 7.88%) N/A (31 December 2020: Net asset value)	1,000 basis points	Decrease/increase in liquidity spread: HK\$125,000/ HK\$(124,000) (31 December 2020: HK\$283,000/ HK\$(279,000)) N/A (31 December 2020: Increase/decrease in net asset value of HK\$38,941,000/ HK\$(38,941,000))

Financial assets at FVTOCI

(10) Financial assets at FVTOCI	Listed fixed income securities - HK\$746,247	Listed fixed income securities - HK\$2,299,395	Level 2	Note (b)	N/A	N/A	N/A
(11) Financial assets at FVTOCI	Unlisted fixed income securities - HK\$218,539	Unlisted fixed income securities - HK\$252,066	Level 3	Note (c)	Discount rate: 20.26% (31 December 2020: 14.97%)	1,000 basis points (discount rate ranging from 18.23% to 22.28%) (31 December 2020: ranging from 13.47% to 16.47%)	Decrease/increase in discount rate of HK\$3,353,000/ HK\$(4,405,000) (31 December 2020: HK\$2,009,000/ HK\$(2,414,000))

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 2021 (Unaudited) HK\$'000	Fair value as at 31 December 2020 (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) Financial liabilities classified as financial assets at FVTPL	Unlisted foreign exchange forward contracts: HK\$1,225	Unlisted foreign exchange forward contracts: HK\$53,282	Level 2	Note (b)	N/A	N/A	N/A

Notes:

- (a) Quoted price in an active market.
- (b) The fair value was determined with reference to quoted prices provided by brokers/financial institutions.
- (c) The fair value is determined with reference to credit spread of the fixed income securities.
- (d) The fair value is determined with reference to the net asset value of the investment fund after taking into account the credit risk of underlying investments of the fund.
- (e) 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.
- (f) The fair value is determined with reference to the net asset value of the unlisted equity investments after taking into account the credit risk of the underlying investments of the fund.
- (g) Dealing price of the investment funds derived from the net asset values of the investment funds with reference to observable quoted prices of underlying investment portfolio in active markets.
- (h) The fair value is determined with reference to the net asset value of the unlisted equity and partnership investments which are the deemed resale price of the investments provided by the external counter-parties. The directors have determined that the reported net asset values represents fair values of these investments.
- (i) The fair value is 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 consolidated financial statements approximate their fair values.

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

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

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.

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

	30 June 2021 (Unaudited) HK\$'000	30 June 2020 (Unaudited) HK\$'000
Financial assets:		
At beginning of the period	2,741,636	2,213,960
Transfer out to level 2	-	-
Purchased during the period	4,052	13,854
Disposed during the period	(4,112)	-
Total gain or loss in profit or loss, or other comprehensive income	(35,992)	17,062
At end of the period	2,705,584	2,244,876
Financial liabilities at FVTPL:		
At beginning of the period	-	-
Net loss during the period	-	-
Settled during the period	-	-
At end of the period	-	-

For the period ended 30 June 2021, the total gains or losses for the period included in profit or loss, or other comprehensive income, were loss of HK\$35,992,000 (2020: gain of HK\$17,062,000) relates financial assets at FVTPL and financial assets at FVTOCI at the end of each reporting period respectively. Fair value gains or losses on financial assets at FVTPL are included in 'net gain/(loss) 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

The Group had no material contingent liabilities at 30 June 2021 and 31 December 2020.

28. Dividends

No dividend was paid to the shareholders of the Company for the six months ended 30 June 2021 and 30 June 2020.

The Board has resolved not to declare the payment of any interim dividend for the six months ended 30 June 2021 and 30 June 2020.

29. Application of merger accounting and reserves

On 10 November 2020 (Cayman Islands time), the privatization of HRIV by the Company has completed. There was allotment and issuance of 5.1 billion ordinary shares in connection with the privatization of HRIV by the Company. Since both the Company and HRIV are under common control, the management of the Group has applied the merger accounting method in accordance with the Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA in the preparation of financial statements. The comparative amounts have been restated accordingly.

	At 31 December 2020			
	Before combination HK\$'000	Equity under common control HK\$'000	Adjustment HK\$'000	After combination HK\$'000
Share capital	8,710	18,160	(18,160)	8,710
Merger reserve	–	(87,838)	87,838	–
Share premium	2,940,297	558,060	(278,108)	3,220,249
Retained earnings and other reserves	(4,165,865)	(795,720)	(1,097,456)	(6,059,041)
	(1,216,858)	(307,338)	(1,305,886)	(2,830,082)
Perpetual capital securities classified as equity instruments	2,755,872	1,455,386	(1,455,386)	2,755,872
Non-controlling interests	–	–	1,455,386	1,455,386
	1,539,014	1,148,048	(1,305,886)	1,381,176

30. Comparative amounts

In respect of the acquisition of an entity under common control, as explained in Note 29, the Group has applied merger accounting method for the business combination under common control. Comparative amounts in the financial statements have been restated.

31. Deed of undertaking to a fund

A subsidiary of the Company ("**subsidiary X**") acted as general partner for a fund ("**the Fund**") set up in 2016. Third party A acting as the sole limited partner invested HK\$950 million into the Fund. Third party B and another subsidiary of the Company ("**subsidiary Y**") both acted as fund managers. Third party A and B are related parties to each other. Subject to the terms of the limited partnership agreement, if the investment return is greater than or equal to 6% per annum, third party A is entitled to receive a return of 6% per annum from the Fund's assets. Third party B is entitled to receive management fee of 0.5% per annum of the capital commitment of each limited partner. If the investment return is greater than 6% per annum, the excess will be received by the subsidiary B as performance fee. Subsidiary B is also entitled to receive management fee of 1% per annum of the capital commitment of each limited partner. The business substance of the Fund is for third party A to lend money to third party C.

Subsidiary Y signed a deed of undertaking to the Fund in 2016. The Company also issued a comfort letter to third party A. Subsidiary Y undertakes to the Fund to use all feasible endeavours to facilitate the Fund to perform its obligations. Subsidiary Y also undertakes to the Fund to serve as liquidity provider. Based on the legal assessment, it is considered that the comfort letter and the deed of undertaking did not constitute guarantee obligations of the Company, subsidiary X and Y as at 31 December 2020 and 30 June 2021.

32. Events after the end of the reporting period

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

- (1) The Company entered into a supplemental facility letter with a bank on 28 April 2021 to renew a facility in an aggregate amount of up to US\$100,000,000 or equivalent in Hong Kong dollars to 31 August 2021, which has been further renewed to 31 October 2021 subsequently.

For further details, please refer to the announcement of the Company dated 26 July 2021.

32. Events after the end of the reporting period (continued)

- (2) In late December 2020, Huarong Shengyuan (Beijing) Investment Co. Ltd. (華融晟遠(北京)投資有限公司) (“**Huarong Shengyuan**”), a wholly-owned subsidiary of the Company, published an announcement on the website of Tianjin Financial Assets Exchange (“**TJFAE**”) in relation to the commencement of official procedures for the disposal of creditors’ rights assets (including primary creditor’s rights and guarantee rights) (“**Creditors’ Rights**”). The primary creditor’s rights owed by Qingdao Jiayahua Realty Co., Ltd. (青島嘉耀華置業有限公司) to Huarong Shengyuan. On 30 December 2020, Huarong Shengyuan received a notification from TJFAE stating that, following the eligibility vetting process performed by TJFAE, one interested assignee fulfilling the assignment conditions, namely Zhongwei Group (Qingdao) Co., Ltd. (中巍集團(青島)有限公司) (“**Zhongwei Qingdao**”), had been solicited for the assignment. On 30 December 2020 (after the close of trading hours), Huarong Shengyuan entered into a creditor’s right assignment agreement with Zhongwei Qingdao for the assignment of all interests in the Creditors’ Right at a final consideration of RMB680 million in accordance with the rules of TJFAE (the “**Assignment**”). Transaction circular was announced to the public as at 25 February 2021. RMB20 million deposit was received on at the end of 2020. Huarong Shengyuan has further received assignment price of RMB50 million paid by Zhongwei Qingdao during the period from 1 January 2021 to 30 June 2021. Huarong Shengyuan has been in close contact with Zhongwei Qingdao to actively promote the payment of the remaining transfer price by Zhongwei Qingdao. From 1 July 2021 to the date of this report, Huarong Shengyuan has further received assignment price of RMB210 million paid by Zhongwei Qingdao. Based on the above development, full impairment reversal could not be recognised in the current period given that the transaction yet to complete in the date of this report.
- (3) On 18 August 2021, the board of directors of China Huarong Asset Management Co., Ltd. (“**China Huarong**”), the ultimate holding company, announced that, China Huarong signed investment framework agreements (the “**Framework Agreements**”) with CITIC Group Corporation, China Insurance Investment Co., Ltd., China Life Asset Management Company Limited and China Cinda Asset Management Co., Ltd. and Sino-Ocean Capital Holding Limited respectively.

Subject to the approval and consent of relevant regulatory authorities and without affecting the listing status of China Huarong on The Stock Exchange of Hong Kong Limited, the above companies intend to make strategic investments in China Huarong by subscribing the newly issued shares of China Huarong. The Framework Agreements are not binding formal share subscription documents. If the Potential Strategic Investment is implemented, it will effectively replenish the capital of China Huarong.

SUPPLEMENTARY INFORMATION

Directors' and chief executive's interests and short positions in shares, underlying shares and debentures

As at 30 June 2021, 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 3.76% 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.

The Scheme will expire on 8 September 2021.

Interests and short positions of substantial shareholders

As at 30 June 2021, 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	Number of Shares held	Approximate percentage of the issued share capital of the Company as at 30 June 2021
China Huarong (Note 1)	Interests in controlled corporation	4,441,556,104 (L)	51.00%
China Huarong (Notes 2 to 3)	Interests in controlled corporation (security interest)	2,144,097,429 (L)	24.62%
CHIH (Notes 1 and 3)	Interests in controlled corporation	4,441,556,104 (L)	51.00%
	Interests in controlled corporation (security interest)	135,000,000 (L)	1.55%
Right Select (Note 1)	Beneficial owner	2,611,438,440 (L)	29.98%
Camellia Pacific (Note 1)	Beneficial owner	1,830,117,664 (L)	21.01%
Shinning Rhythm Limited (Note 2)	Security interest	2,009,097,429 (L)	23.07%
China Huarong Overseas Investment Holdings Co., Limited (Note 2)	Interests in controlled corporation (security interest)	2,009,097,429 (L)	23.07%
Huarong Huaqiao Asset Management Co., Ltd. (Note 2)	Interests in controlled corporation (security interest)	2,009,097,429 (L)	23.07%
Huarong Zhiyuan (Note 2)	Interests in controlled corporation	2,009,097,429 (L)	23.07%
Hero Link Enterprises Limited (Note 4)	Beneficial owner	129,000,000 (L)	1.48%

Name of Shareholder	Capacity/ Nature of interest	Number of Shares held	Approximate percentage of the issued share capital of the Company as at 30 June 2021
China Tian Yuan International Finance Limited (Note 4)	Beneficial owner	646,220,529 (L)	7.42%
	Interests in controlled corporation	129,000,000 (L)	1.48%
China Tian Yuan Finance Group (Holdings) Limited (Note 4)	Interests in controlled corporation	775,220,529 (L)	8.90%
Ningxia Tianyuan Manganese Industry Group Co., Ltd. (Note 5)	Interests in controlled corporation	996,517,500 (L)	11.44%
Tian Yuan Manganese Limited (Note 5)	Interests in controlled corporation	996,517,500 (L)	11.44%
China Tian Yuan Manganese Finance (Holdings) Limited (Note 5)	Interests in controlled corporation	996,517,500 (L)	11.44%
China Tian Yuan Asset Management Limited ("Tian Yuan Asset Management") (Note 5)	Beneficial owner	996,517,500 (L)	11.44%
Mr. Jia Tianjiang (Notes 4 and 5)	Interests in controlled corporation	1,771,738,029 (L)	20.34%
Ms. Dong Jufeng (Notes 4 and 5)	Interests of spouse	1,771,738,029 (L)	20.34%

(L) Long position

Notes:

- (1) 1,830,117,664 Shares are beneficially owned by Camellia Pacific and 2,611,438,440 Shares are beneficially owned by Right Select. Both Camellia Pacific and Right Select are wholly owned by CHIH. CHIH is owned as to 84.84% by China Huarong and 15.16% by Huarong Zhiyuan. Huarong Zhiyuan 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 MOF 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 Pacific and Right Select by virtue of the SFO.
- (2) 129,000,000 Shares held by Hero Link Enterprises Limited, 646,220,529 Shares held by China Tian Yuan International Finance Limited and 996,517,500 Shares held by China Tian Yuan Asset Management Limited are pledged to Shinning Rhythm Limited, while 237,359,400 Shares held by Power Tiger Investments Limited are pledged to Tian Yuan Investment Holding Co., Limited which in turn has assigned such security interest to Shinning Rhythm Limited. Shinning Rhythm Limited is a wholly-owned subsidiary of China Huarong Overseas Investment Holdings Co., Limited, which is in turn a wholly-owned subsidiary of Huarong Huaqiao Asset Management Co., Ltd. Huarong Huaqiao Asset Management Co., Ltd. is owned as to 91% by Huarong Zhiyuan. Huarong Zhiyuan is a wholly-owned subsidiary of China Huarong. Accordingly, each of China Huarong Overseas Investment Holdings Co., Limited, Huarong Huaqiao Asset Management Co., Ltd., Huarong Zhiyuan and China Huarong is deemed to be interested in the security interest in the 2,009,097,429 underlying Shares held by Shinning Rhythm Limited by virtue of the SFO.
- (3) Fresh Idea Ventures Limited holds direct security interest in 135,000,000 underlying Shares and is a wholly-owned subsidiary of Linewear Assets Limited. Linewear Assets Limited is a wholly-owned subsidiary of the Company, which in turn is owned as to 51% collectively by Camellia Pacific and Right Select. Accordingly, each of CHIH and China Huarong is deemed to be interested in the security interest in the 135,000,000 underlying Shares held by Fresh Idea Ventures Limited by virtue of the SFO.
- (4) China Tian Yuan Finance Group (Holdings) Limited is deemed or taken to be interested in (i) 129,000,000 Shares held by Hero Link Enterprises Limited which is held as to 82% by China Tian Yuan International Finance Limited; and (ii) 646,220,529 Shares held by China Tian Yuan International Finance Limited. China Tian Yuan International Finance Limited is a wholly-owned subsidiary of China Tian Yuan Finance Group (Holdings) Limited, which in turn is wholly-owned by Mr. Jia Tianjiang. Accordingly, each of China Tian Yuan International Finance Limited, China Tian Yuan Finance Group (Holdings) Limited, Mr. Jia Tianjiang and his spouse Ms. Dong Jufeng is deemed to be interested in the 775,220,529 Shares beneficially held by Hero Link Enterprises Limited and China Tian Yuan International Finance Limited by virtue of the SFO.
- (5) 996,517,500 Shares are held by China Tian Yuan Asset Management Limited, which is a wholly-owned subsidiary of China Tian Yuan Manganese Finance (Holdings) Limited, which is in turn a wholly-owned subsidiary of Tian Yuan Manganese Limited, which is in turn a wholly-owned subsidiary of Ningxia Tianyuan Manganese Industry Group Co., Ltd. Ningxia Tianyuan Manganese Industry Group Co., Ltd. is owned as to 99.96% by Mr. Jia Tianjiang. Accordingly, each of China Tian Yuan Manganese Finance (Holdings) Limited, Tian Yuan Manganese Limited, Ningxia Tianyuan Manganese Industry Group Co., Ltd., Mr. Jia Tianjiang and his spouse Ms. Dong Jufeng is deemed to be interested in the 996,517,500 Shares beneficially held by China Tian Yuan Asset Management Limited.

Saved as disclosed above, as at 30 June 2021, 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) The Company entered into a supplemental facility letter with a bank on 28 April 2021 to renew a facility in an aggregate amount of up to US\$100,000,000 or equivalent in Hong Kong dollars to 31 August 2021, which has been further renewed to 31 October 2021 subsequently. For further details, please refer to the announcement of the Company dated 26 July 2021.
- (2) In late December 2020, Huarong Shengyuan (Beijing) Investment Co. Ltd. (華融晟遠(北京)投資有限公司) (“**Huarong Shengyuan**”), a wholly-owned subsidiary of the Company, disposed of creditors’ rights assets (including primary creditor’s rights and guarantee rights) (“**Creditors’ Right Assets**”) to Zhongwei Group (Qingdao) Co., Ltd. (中巍集團(青島)有限公司) (“**Zhongwei Qingdao**”) by way of listing-for-sales. The primary creditor’s rights were the principal amounts, interests, penalty interests and liquidated damages for two matured creditors’ rights due from Qingdao Jiyaohua Realty Co., Ltd. (青島嘉耀華置業有限公司) to Huarong Shengyuan, and the final assignment consideration was RMB680 million (the “**Assignment**”). For details of the assignment, please refer to the circular of the Company dated 25 February 2021. RMB20 million deposit was received on at the end of 2020. Huarong Shengyuan has further received assignment price of RMB50 million paid by Zhongwei Qingdao during the period from 1 January 2021 to 30 June 2021. Huarong Shengyuan has been in close contact with Zhongwei Qingdao to actively promote the payment of the remaining transfer price by Zhongwei Qingdao. From 1 July 2021 to the date of this report, Huarong Shengyuan has further received assignment price of RMB210 million paid by Zhongwei Qingdao. Based on the above development, full impairment reversal could not be recognised in the current period given that the transaction yet to complete in the date of this report.
- (3) The Company noted that, on 18 August 2021, the board of directors of China Huarong announced that, China Huarong entered into an investment framework agreement (the “**Framework Agreements**”) with each of CITIC Group Corporation, China Insurance Investment Co., Ltd., China Life Asset Management Company Limited, China Cinda Asset Management Co., Ltd. and Sino-Ocean Capital Holding Limited, pursuant to which such potential investors intend to make strategic investments in China Huarong by subscription of the new shares of China Huarong, subject to the approval and consent of relevant regulatory authorities and without affecting the listing status of China Huarong on the Stock Exchange. The Framework Agreements are not binding formal share subscription documents. If such potential strategic investment is implemented, it will effectively replenish the capital of China Huarong.

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

During the Period and up to the date of this interim report, changes in Directors of the Company are as follows:

- (1) Mr. Xu Xiaowu was appointed as an executive Director and Chairman of the Board on 4 January 2021.

Pursuant to Rule 13.51B of the Listing Rules, changes in information of Directors or chief executive of the Company during the Period and up to the date of this interim report of the Company are as follows:

- (1) Mr. Xu Xiaowu resigned as a director of HRIV on 29 January 2021.
- (2) Ms. Wang Qi resigned as a director of HRIV on 29 January 2021.
- (3) Mr. Guan Huanfei, an Independent non-executive Director, was appointed as an independent non-executive director of Shanghai Zendai Property Limited (HKEx: 755) on 11 January 2021; and resigned as an executive director and chairman of the board of directors of Enterprise Development Holdings Limited (HKEx: 1808) on 22 May 2021.
- (4) Mr. Hung Ka Hai Clement, an independent non-executive Director, resigned as an independent non-executive director of Tibet Water Resources Ltd. (HKEx: 1115) on 30 June 2021 and was appointed as an independent non-executive director of Hong Kong Aerospace Technology Group Limited (HKEx: 1725) on 16 July 2021.

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

As at 30 June 2021, 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 31 October 2021	Note 1
25 March 2021	Revolving loan facility with a bank	HK\$300,000,000	The facility is repayable on demand by the bank	Note 2
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 3
17 December 2020	Term loan facility with a bank	HK\$800,000,000	The final maturity date has been extended to 18 December 2021.	Note 4
20 January 2021	Revolving loan facility with a bank	HK\$200,000,000	The facility has no fixed term and is repayable on demand by the bank.	Note 5
20 May 2020	Revolving loan facility with a bank	HK\$130,000,000	The credit period is 18 months from the agreement date.	Note 6
15 January 2021	Revolving loan facility with a bank	US\$10,000,000	The credit period is one year.	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. China Huarong has undertaken to continuously maintain control over HISL as long as the facility remains outstanding.
3. Under the terms of the facility agreement, the Company shall ensure to remain as a subsidiary of China Huarong, and shall ensure that CHIH shall maintain its status as the controlling shareholder of the Company. Moreover, China Huarong has undertaken to continuously maintain control over the Company as long as the facility remains outstanding.
4. The availability of the facility is subject to, among other things, China Huarong continues to be the beneficial owner directly or indirectly holding 51% or more of the issued share capital of the Company. Moreover, a new letter of comfort should be executed by China Huarong in a form satisfactory to the bank on or before 18 February 2021 as long as the facility remains outstanding.
5. China Huarong has undertaken to, among other, remain as the majority shareholder of HRIV as long as the facility remains outstanding.
6. Under the facility letter, as long as the facility remains outstanding, CHIH should directly or indirectly hold not less than 50% shareholding of HRIV.
7. Under the terms of the facility letter, (i) China Huarong shall directly or indirectly hold not less than 50% equity interest in HRIV; (ii) China Huarong shall maintain its listing status on the Stock Exchange; (iii) the MOF shall hold not less than 50% equity interest in China Huarong; and (iv) China Huarong shall maintain any two of its ratings in Moody's or S&P's or Fitch not lower than BBB or similar rating.

Details of the above mentioned banking facilities are set out in the announcements of the Company dated 21 February 2019, 21 May 2020, 17 December 2020, 15 January 2021, 20 January 2021 and 25 March 2021, and the announcements of HRIV dated 20 May 2021.

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 to the Listing Rules
“Director(s)”	Director(s) of the Company
“GDP”	gross domestic product
“Group”	the Company and its subsidiaries
“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 a wholly-owned subsidiary of the Company upon completion of the Privatization of HRIV
“Last Period”	the period for the six months ended 30 June 2020
“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 2021, being the financial reporting period of this interim report
“Privatization of HRIV”	the privatization of HRIV by the Company by way of a scheme of arrangement under Section 86 of the Companies Law of the Cayman Islands, which became effective on 10 November 2020 (Cayman Islands time)
“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

* for identification purpose only