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## CHINA INVESTMENTS HOLDINGS LIMITED

中國興業控股有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock code: 132)

### INTERIM RESULTS FOR 2021

#### UNAUDITED CONSOLIDATED RESULTS

The board of directors (the “Directors”) of China Investments Holdings Limited (the “Company”) announces that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2021 as follows:

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
	Notes	HK\$'000	HK\$'000
		(unaudited)	(unaudited) (restated)
<b>Continuing operations</b>			
Revenue	4	205,207	95,610
Cost of sales and services		(127,194)	(35,113)
Gross profit		78,013	60,497
Other operating income	6	36,147	36,197
Selling and distribution costs		(4,295)	(4,533)
Administrative expenses		(91,674)	(50,030)
Share of profit of associates		31,590	28,420
Impairment loss on asset classified as held for sale		–	(20,170)
Finance costs	7	(50,623)	(55,288)
Loss before taxation		(842)	(4,907)
Income tax expenses	8	(12,254)	(12,906)
Loss for the period from continuing operations		(13,096)	(17,813)
<b>Discontinued operation</b>			
Profit/(loss) for the period from discontinued operation		3	(126)
<b>Loss for the period</b>	9	<b>(13,093)</b>	<b>(17,939)</b>

\* For identification purpose only

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
	Notes	HK\$'000	HK\$'000
		(unaudited)	(unaudited) (restated)
<b>Other comprehensive income/(expenses), net of income tax</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		23,873	(31,235)
Share of exchange difference of associates		<u>6,882</u>	<u>(13,054)</u>
Other comprehensive income/(expenses) for the period, net of income tax		<u>30,755</u>	<u>(44,289)</u>
Total comprehensive income/(expenses) for the period		<u><u>17,662</u></u>	<u><u>(62,228)</u></u>
<b>(Loss)/profit for the period attributable to:</b>			
Owners of the Company		(15,471)	(31,119)
Non-controlling interests		<u>2,378</u>	<u>13,180</u>
		<u><u>(13,093)</u></u>	<u><u>(17,939)</u></u>
<b>Total comprehensive income/(expense) for the period attributable to:</b>			
Owners of the Company		5,970	(68,442)
Non-controlling interests		<u>11,692</u>	<u>6,214</u>
		<u><u>17,662</u></u>	<u><u>(62,228)</u></u>
<b>Loss per share</b>			
11			
From continuing and discontinued operations			
Basic		<u><u>(HK0.90 cents)</u></u>	<u><u>(HK1.82 cents)</u></u>
Diluted		<u><u>(HK0.90 cents)</u></u>	<u><u>(HK1.82 cents)</u></u>
From continuing operations			
Basic		<u><u>(HK0.90 cents)</u></u>	<u><u>(HK1.81 cents)</u></u>
Diluted		<u><u>(HK0.90 cents)</u></u>	<u><u>(HK1.81 cents)</u></u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

		30 June 2021 <i>HK\$'000</i> (unaudited)	31 December 2020 <i>HK\$'000</i> (audited)
	Notes		
<b>Non-current assets</b>			
Investment properties		354,032	350,058
Property, plant and equipment		1,513,488	1,216,148
Goodwill		133,740	132,151
Interests in associates		591,114	569,674
Financial assets at fair value through profit or loss		13,807	13,643
Finance lease receivables	13	1,732,608	1,348,274
Rental deposits		5,587	4,821
Right-of-use assets	12	1,012,064	1,014,500
Deductible value added tax		78,609	50,416
		<u>5,435,049</u>	<u>4,699,685</u>
<b>Current assets</b>			
Properties held for sale		6,500	6,500
Inventories		6,321	5,257
Financial assets at fair value through profit or loss		64,649	63,881
Finance lease receivables	13	624,627	438,765
Trade and other receivables	14	84,611	66,585
Tax recoverable		1,019	967
Pledged bank deposits		20,197	25,468
Cash and cash equivalents		667,438	798,263
		<u>1,475,362</u>	<u>1,405,686</u>
<b>Current liabilities</b>			
Trade and other payables	15	102,366	94,576
Tax payables		10,804	28,988
Deferred income		316	312
Deferred tax liabilities		42,431	44,118
Deposits received from customers	13	7,677	3,207
Lease liabilities	12	51,603	50,675
Borrowings	16	1,485,037	1,250,142
		<u>1,700,234</u>	<u>1,472,018</u>
<b>Net current liabilities</b>		<u>(224,872)</u>	<u>(66,332)</u>
<b>Total assets less current liabilities</b>		<u><u>5,210,177</u></u>	<u><u>4,633,353</u></u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2021

		30 June 2021 <i>HK\$'000</i> (unaudited)	31 December 2020 <i>HK\$'000</i> (audited)
	<i>Notes</i>		
<b>Capital and reserves</b>			
Share capital		171,233	171,233
Reserves		<u>979,134</u>	<u>973,164</u>
<b>Equity attributable to owners of the Company</b>		<b>1,150,367</b>	1,144,397
<b>Non-controlling interests</b>		<u>832,089</u>	<u>843,935</u>
<b>Total Equity</b>		<u><b>1,982,456</b></u>	<u>1,988,332</u>
<b>Non-current liabilities</b>			
Borrowings	16	1,764,948	1,305,803
Convertible notes		129,032	122,565
Deferred income		181,537	81,960
Deferred tax liabilities		18,976	17,559
Deposits received from customers	13	100,005	75,133
Lease liabilities	12	<u>1,033,223</u>	<u>1,042,001</u>
		<u><b>3,227,721</b></u>	<u>2,645,021</u>
		<u><b>5,210,177</b></u>	<u><b>4,633,353</b></u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2021*

## 1. BASIS OF PREPARATION

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

The interim condensed consolidated financial statements have not been audited by the Company’s auditor but have been reviewed by the Company’s audit committee.

The interim condensed consolidated financial statements have been prepared on the historical costs basis except for certain properties and financial instruments, which are measured at fair value, revalued amounts and amortised cost as appropriate.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2020.

The preparation of interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The interim financial statements and selected explanatory notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards.

## 2. GOING CONCERN

Notwithstanding that the Group had incurred net current liabilities of approximately HK\$224,872,000 as at 30 June 2021, the condensed consolidated financial statements at 30 June 2021 have been prepared on a going concern basis as the directors of the Company are satisfied that the liquidity of the Group can be maintained in the coming year after taking into consideration of the following matters:

Included in the current liabilities is the obligations under borrowings – due within one year (the “Borrowings”) of approximately HK\$688,000,000 with the repayment on demand clause which were classified as current liabilities in accordance with Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and are not repayable within one year from the end of the reporting period according to the repayment schedule. The Directors are of the opinion that the Borrowings will not be required to be repaid in full within a year under normal circumstances and when the monthly instalments are paid according to schedule, which the Directors are confident that they could achieve. Taking this into consideration, the Directors consider that the liquidity position of the Group would be positive.

### 3. PRINCIPAL ACCOUNTING POLICIES AND APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Except for the adoption of the revised HKFRSs stated below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2020.

HKFRS 4, HKFRS 7, HKFRS 9, Interest rate Benchmark Reform – Phase 2  
HKFRS 16 and HKAS 39 (Amendments)

The adoption of the revised HKFRSs has had no material effect on the Group’s financial performance and positions for the current or prior accounting period. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2018-2020 cycle <sup>1</sup>
HKFRS 3 (Amendments)	Reference to the Conceptual Framework <sup>1</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
HKFRS 17	Insurance Contracts and Related Amendment <sup>2</sup>
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current and Related Amendments to Hong Kong Interpretation 5 (2020) <sup>2</sup>
HKAS 1 (Amendments) and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
HKAS 8 (Amendments)	Definition of Accounting Estimates <sup>2</sup>
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>2</sup>
HKAS 16 (Amendments)	Property, Plant and Equipment: Process before Intended Use <sup>1</sup>
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract <sup>1</sup>
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations <sup>4</sup>

*Notes:*

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>3</sup> Effective date to be determined.

<sup>4</sup> Effective for common control combinations that occur on or after beginning of the first annual report period on or after 1st January 2022.

The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

#### 4. REVENUE

Revenue represents the gross amounts received and receivable for revenue arising on big data business, civil explosives business, hotel operation, property investments, wellness elderly care business, goods sold by the Group to outside customers, less return and allowances, gross rental income, interest income generated from financial leasing and consultancy fee income for services provided to outsiders during the period.

The amount of each significant category of revenue recognised during the period is as follows:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
		<b>(restated)</b>
<b>Continuing operations</b>		
<b>Revenue from contracts with customers recognised at a point in time:</b>		
Construction of platform and operating income from big data business	9,697	5,435
Consultancy service income from financial leasing	24,724	32,220
Sales of emulsion explosives	62,386	–
Logistics income from civil explosives business	5,873	–
Medical care service income from wellness elderly care business	6,283	–
Operating income from elderly care services platform	29	1
Other operating income from property investments	2,361	–
Other operating income from hotel operation	342	56
Food and beverage	–	1
	<b>111,695</b>	<b>37,713</b>
<b>Revenue from contracts with customers recognised over time:</b>		
Construction of platform and technical service income from big data business	10,097	6,967
Logistics income from civil explosives business	145	–
Nursing care service income from wellness elderly care business	918	–
Operating income from elderly care services platform	657	169
Service income from hotel operation	3,177	863
Service income from property investments	570	–
	<b>15,564</b>	<b>7,999</b>
<b>Revenue from other sources:</b>		
Rental income from hotel property	2,511	1,815
Rental income from investment properties and properties held for sale	7,628	4,124
Interest income from financial leasing	67,809	43,959
	<b>77,948</b>	<b>49,898</b>
	<b>205,207</b>	<b>95,610</b>

## 5. SEGMENT INFORMATION

For management purposes, the Group is currently organised into six operating divisions – big data business, civil explosives business, financial leasing, hotel operation, property investments and wellness elderly care business. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Big data business	–	industrial internet project platform construction, smart city construction and big data operation and management
Civil explosives business	–	manufacture and sale of emulsion explosives
Financial leasing	–	provision of finance lease consulting services and financing services in the PRC
Hotel operation	–	hotel ownership and management
Property investments	–	holding investment properties, properties held for sale and development and construction of industrial park
Wellness elderly care business	–	comprehensive elderly care services

T-BOX® business was discontinued in the current year. The segment information reported below does not include any amount for this discontinued operation.



## 5. SEGMENT INFORMATION (Continued)

Segment information about these operations is presented below:

	Segment Revenue		Segment Result	
	Six months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited) (restated)	(unaudited)	(unaudited) (restated)
Big data business	19,794	12,402	1,780	1,042
Civil explosives business	68,404	–	(9,818)	–
Financial leasing	92,533	76,179	35,560	42,409
Hotel operation	6,030	2,735	(3,221)	(4,774)
Property investments	10,559	4,124	(20,641)	(13,795)
Wellness elderly care business	7,887	170	(4,260)	(1,739)
Total	<u>205,207</u>	<u>95,610</u>	(600)	23,143
Bank interest income			3,679	5,487
Finance costs (excluding interest on lease liabilities)			(23,356)	(30,492)
Impairment loss on asset classified as held for sale			–	(20,170)
Interest income from wealth management product			–	410
Net central administration cost			(10,701)	(9,909)
Net exchange gain/(loss)			542	(103)
Professional fee			(1,996)	(1,693)
Share of profit of associates			31,590	28,420
Loss before taxation			(842)	(4,907)
Income tax expenses			(12,254)	(12,906)
Loss for the period			<u>(13,096)</u>	<u>(17,813)</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current period (six months ended 30 June 2020: Nil).

Segment result represents the profit/(loss) generated by each segment without allocation of bank interest income, impairment loss on asset classified as held for sale, interest income from wealth management product, professional fee, net central administration cost, net exchange gain/(loss), share of profit of associates and certain finance costs (excluding interest on lease liabilities). This is the measure reported to the Group's management for the purposes of resources allocation and performance assessment.

## 5. SEGMENT INFORMATION (Continued)

### Segment assets and liabilities

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
<b>Segment assets</b>		
<b>Continuing operations</b>		
Big data business	23,849	12,871
Civil explosives business	410,950	410,302
Financial leasing	2,375,277	1,801,201
Hotel operation	142,417	146,978
Property investments	2,504,371	2,169,339
Wellness elderly care business	20,687	12,201
Total segment assets	5,477,551	4,552,892
Pledged bank deposits	20,197	25,468
Cash and cash equivalents	667,438	798,263
Interests in associates	591,114	569,674
Financial assets at fair value through profit or loss	78,456	77,524
Other unallocated assets	75,533	81,429
	6,910,289	6,105,250
<b>Assets relating to discontinued operation</b>	122	121
Consolidated assets	6,910,411	6,105,371
<b>Segment Liabilities</b>		
<b>Continuing operations</b>		
Big data business	18,516	14,537
Civil explosives business	127,784	131,688
Financial leasing	1,915,139	1,275,786
Hotel operation	2,919	4,455
Property investments	1,829,258	1,645,418
Wellness elderly care business	8,624	2,112
Total segment liabilities	3,902,240	3,073,996
Convertible notes	129,032	122,565
Borrowings	864,665	886,216
Other unallocated liabilities	30,918	33,163
	4,926,855	4,115,940
<b>Liabilities relating to discontinued operation</b>	1,100	1,099
Consolidated liabilities	4,927,955	4,117,039

## 5. SEGMENT INFORMATION (Continued)

### Other segment information

For the six months ended 30 June 2021

#### Continuing operations

	Big data business <i>HK\$'000</i> (unaudited)	Civil explosives <i>HK\$'000</i> (unaudited)	Financing leasing <i>HK\$'000</i> (unaudited)	Hotel operation <i>HK\$'000</i> (unaudited)	Property investments <i>HK\$'000</i> (unaudited)	Wellness elderly care business <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Depreciation of property, plant and equipment	437	6,959	486	4,779	1,954	820	15,435
Depreciation of right-of-use assets	–	93	–	–	16,555	–	16,648
Additions to property, plant and equipment	71	12,229	1	93	294,786	2,615	309,795
Loss on disposal of property, plant and equipment	–	8,814	–	4	–	–	8,818
Allowance for expected credit losses on finance lease receivables	–	–	4,928	–	–	–	4,928

For the six months ended 30 June 2020

#### Continuing operations

	Big data business <i>HK\$'000</i> (unaudited)	Civil explosives <i>HK\$'000</i> (unaudited)	Financing leasing <i>HK\$'000</i> (unaudited)	Hotel operation <i>HK\$'000</i> (unaudited)	Property investments <i>HK\$'000</i> (unaudited)	Wellness elderly care business <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Depreciation of property, plant and equipment	120	–	419	4,599	1,318	551	7,007
Depreciation of right-of-use assets	–	–	–	–	15,238	–	15,238
Additions to property, plant and equipment	62	–	51	113	125,340	2,708	128,274
Allowance for expected credit losses on finance lease receivables	–	–	914	–	–	–	914

## 5. SEGMENT INFORMATION (Continued)

### Geographic Segments

The Group's big data business, civil explosive business, financial leasing, hotel operation and wellness elderly care business are located in the People's Republic of China (the "PRC"), other than Hong Kong.

Property investments are located in both the PRC and Hong Kong.

The Group's revenue from external customers by location of operation and information about its non-current assets by location of assets are detailed below:

	Revenue from external customer		Non-current assets*	
	Six months ended 30 June		30 June	31 December
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(audited)
		(restated)		
The PRC	204,934	95,400	1,778,472	1,475,941
Hong Kong	273	210	19,506	19,506
	<u>205,207</u>	<u>95,610</u>	<u>1,797,978</u>	<u>1,495,447</u>

\* Non-current assets excluded deductible value added tax, goodwill, financial assets at fair value through profit or loss, finance lease receivables, interest in associates, rental deposits, right-of-use assets and unallocated non-current assets.

## 6. OTHER OPERATING INCOME

Other operating income included the following items:

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
		(restated)
<b>Continuing operations</b>		
Bank interest income	3,679	5,487
Compensation and government subsidies received		
– Direct government grant	4,091	–
– Recognition of deferred income	26,067	27,383
Interest income from rental deposits	122	107
Interest income from wealth management product	–	410
Net exchange gain	542	–
Rental concession	–	2,497
	<u>          </u>	<u>          </u>

## 7. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
<b>Continuing operations</b>		
Interest on:		
– Bank loans	11,933	20,536
– Convertible notes	6,467	6,020
– Lease liabilities	27,267	24,796
– Loan from an associate	–	572
– Loan from an immediate holding company	1,358	1,365
– Loan from a non-controlling interest	1,477	–
– Other loans	2,121	1,999
	<u>          </u>	<u>          </u>
	<u>50,623</u>	<u>55,288</u>

## 8. INCOME TAX EXPENSES

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>Continuing operations</b>		
Tax charges comprise:		
Current tax:		
Provision for PRC Enterprise Income Tax	11,788	11,045
Under/(over) provision in previous year:		
Provision for PRC Enterprise Income Tax	1,475	(404)
Deferred tax:		
Temporary differences (reversed)/arising in current period	(1,009)	2,265
	<b>12,254</b>	<b>12,906</b>

Hong Kong profits tax is calculated at the rate of 16.5% (six months ended 30 June 2020: 16.5%) on the estimated assessable profits for the six months ended 30 June 2021, except for the first HK\$2,000,000 of a qualified entity's assessable profit which is calculated at 8.25%, in accordance with the new two-tiered tax rate regime with effect from the year of assessment 2018/2019.

No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both periods.

## 9. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
		(restated)
<b>Continuing operations</b>		
Loss for the period has been arrived at after crediting/(charging):		
Auditor's remuneration		
Audit service	(800)	(800)
Non-audit service	–	(390)
Depreciation of property, plant and equipment	(16,685)	(8,687)
Depreciation of right-of-use assets	(16,648)	(15,238)
Net loss on disposal of property, plant and equipment	(8,790)	–
Net exchange gain/(loss)	542	(103)
Operating lease charges	(65)	(16)
Allowance for expected credit losses on finance lease receivables	(4,928)	(914)
Allowance for expected credit losses on trade and other receivables	(138)	–
Cost of inventories recognised as expense	(11,978)	(1,661)
Total staff costs		
Director's emoluments	(1,953)	(1,860)
Other staff costs	(46,019)	(18,267)
Retirement benefit schemes contributions for other staffs	(3,354)	(287)
	<u>(51,326)</u>	<u>(20,414)</u>
Gross rental income from investment properties	7,628	4,124
Less: Direct operating expenses from investment properties that generated rental income during the period	(35)	(14)
Direct operating expenses from investment properties that did not generated rental income during the period	<u>(922)</u>	<u>(354)</u>
	<u>6,671</u>	<u>3,756</u>

## 10. DIVIDEND

The Board does not declare an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

## 11. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the loss attributable to the owners of the Company of approximately HK\$15,471,000 (six months ended 30 June 2020: loss of HK\$31,119,000) and on the number of 1,712,329,142 ordinary shares (six months ended 30 June 2020: 1,712,329,142 ordinary shares) in issue during the period.

For the six months ended 30 June 2021 and 2020, no dilutive loss per share has been presented as the exercise of the convertible notes would have an anti-dilutive effect on the basic loss per share.

## 12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

### Right-of-use assets

	<b>30 June 2021 HK\$'000 (unaudited)</b>	<b>31 December 2020 HK\$'000 (audited)</b>
At the beginning of the period/year	<b>1,014,500</b>	988,067
Addition upon step acquisition from an associate to a subsidiary	–	312
Depreciation provided during the period/year	<b>(16,648)</b>	(31,082)
Adjustment on rental deposit	<b>2,053</b>	(1,952)
Exchange difference	<b>12,159</b>	59,155
	<hr/>	<hr/>
At the end of the period/year	<b><u>1,012,064</u></b>	<b><u>1,014,500</u></b>

The right-of-use assets represent the Group's rights to use underlying leased premises under operating lease arrangements over the lease terms, which are stated at cost less accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of the lease liabilities.



## 12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

### Lease liabilities

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Maturity analysis		
– Contractual undiscounted cash flows:		
Within one year	51,603	50,675
Over one year but less than two years	54,989	50,994
Over two years but less than three years	54,917	54,265
Over three year but less than five years	114,740	109,149
Over five years	2,091,115	2,121,907
	<hr/>	<hr/>
Total undiscounted lease liabilities at the end of the period/year	2,367,364	2,386,990
Less: total future interest expenses	(1,282,538)	(1,294,314)
	<hr/>	<hr/>
	<b>1,084,826</b>	<b>1,092,676</b>
	<hr/>	<hr/>
Analysed as:		
Current	51,603	50,675
Non-current	1,033,223	1,042,001
	<hr/>	<hr/>
At the end of the period/year	<b>1,084,826</b>	<b>1,092,676</b>
	<hr/>	<hr/>

## 12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

### Amounts recognised in the condensed consolidated statement of financial position

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
At the beginning of the period/year	1,092,676	1,024,830
Additions upon step acquisition from an associate to a subsidiary	–	385
Interest charged to profit or loss	27,267	51,037
Payment during the period/year	(48,200)	(42,029)
Rent concession	–	(5,085)
Exchange difference	13,083	63,538
	<u>1,084,826</u>	<u>1,092,676</u>
At the end of the period/year	<u>1,084,826</u>	<u>1,092,676</u>

## 13. FINANCE LEASE RECEIVABLES

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Analysed as:		
Current	624,627	438,765
Non-current	1,732,608	1,348,274
	<u>2,357,235</u>	<u>1,787,039</u>

### 13. FINANCE LEASE RECEIVABLES (Continued)

	Minimum lease receivables		Present value of minimum lease receivables	
	30 June	31 December	30 June	31 December
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(audited)	(unaudited)	(audited)
Finance lease receivables comprise:				
Within one year	760,652	542,618	624,627	438,765
Over one year but less than two years	673,559	502,756	575,305	425,779
Over two years but less than five years	1,270,836	1,030,475	1,167,010	939,947
Over five years	13,459	—	12,894	—
	2,718,506	2,075,849	2,379,836	1,804,491
Less: unearned finance income	(338,670)	(271,358)	N/A	N/A
Present value of minimum lease payment receivables	2,379,836	1,804,491	2,379,836	1,804,491
Less: Allowance for expected credit losses	(22,601)	(17,452)	(22,601)	(17,452)
	<u>2,357,235</u>	<u>1,787,039</u>	<u>2,357,235</u>	<u>1,787,039</u>

Movements of allowance for expected credit losses on finance lease receivables are as follows:

	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Balance at the beginning of the period/year	17,452	1,913
Allowance for expected credit losses recognised	4,928	14,589
Exchange difference	221	950
Balance at the end of the period/year	<u>22,601</u>	<u>17,452</u>

All leases are denominated in RMB. The terms of the finance leases range from 1 to 6 years. The effective interest rate of the finance leases range from 5.30% to 10.40% per annum (31 December 2020: 5.30% to 10.40% per annum).

There was no unguaranteed residual value in connection with finance lease arrangements or contingent lease arrangements that needed to be recorded as at the end of the reporting period.

### 13. FINANCE LEASE RECEIVABLES (Continued)

The finance lease receivables are secured by the leased assets, mainly leased plant and machinery, as at 30 June 2021. The Group is not permitted to sell, or repledge the collaterals of the finance lease receivables without consent from the lessees in the absence of default by the lessees.

Security deposits received from customers as at 30 June 2021 represent finance lease deposits received from customers, which will be repayable by end of the lease period of the respective finance leases. Deposits of HK\$107,682,000 (31 December 2020: HK\$78,340,000) have been received by the Group, in which deposits of HK\$7,677,000 (31 December 2020: HK\$3,207,000) were classified as current liabilities and the balances were classified as non-current liabilities, based on the final lease installment due date stipulated in the finance lease agreements. All deposits are non-interest bearing.

None of the finance lease receivables at the end of the reporting period is past due.

### 14. TRADE AND OTHER RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The Group allows an average credit period of 90 days to its customers.

The following is an aging analysis of the Group's trade and other receivables after deducting the allowance for expected credit losses presented based on invoice date at the end of the reporting period:

	<b>30 June 2021 HK\$'000 (unaudited)</b>	<b>31 December 2020 HK\$'000 (audited)</b>
0-60 days	<b>25,558</b>	21,429
61-90 days	<b>1,836</b>	894
91-120 days	<b>2,015</b>	838
Over 120 days	<b>4,396</b>	670
Trade receivables	<b>33,805</b>	23,831
Other receivables ( <i>Note a</i> )	<b>50,806</b>	42,754
	<b>84,611</b>	<b>66,585</b>

*Note a:* It includes deductible value added tax, interest receivables, and prepayments.

The Group does not hold any collateral or other credit enhancements over these balances.

## 15. TRADE AND OTHER PAYABLES

The credit period granted by the Group's suppliers ranges from 30 days to 90 days.

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

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
0-60 days	15,033	6,668
61-90 days	671	249
91-120 days	2,086	34
Over 120 days	2,507	73
	<hr/>	<hr/>
Trade payables	20,297	7,024
Other payables	82,069	87,552
	<hr/>	<hr/>
	<b>102,366</b>	<b>94,576</b>
	<hr/>	<hr/>

Other payables included the following items:

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Contract liabilities ( <i>Note b</i> )	586	4,224
Other tax payable	16,880	20,671
Others ( <i>Note a</i> )	64,603	62,657
	<hr/>	<hr/>
	<b>82,069</b>	<b>87,552</b>
	<hr/>	<hr/>

*Notes:*

- a. Others include accrued staff salaries and welfare, amounts received from staff on equity investments and other temporary receipts.

## 15. TRADE AND OTHER PAYABLES (Continued)

Notes: (Continued)

b. Movements of contract liabilities are as follows:

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
At the beginning of the period/year	4,224	293
Decrease in contract liabilities as a result of recognising revenue during the period/year that was included in the contract liabilities at the beginning of the period	(3,758)	(182)
Increase in contract liabilities during the period/year	79	3,884
Exchange difference	41	229
	<hr/>	<hr/>
At the end of the period/year	<b>586</b>	<b>4,224</b>

The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

## 16. BORROWINGS

	30 June 2021 <i>HK\$'000</i> (unaudited)	31 December 2020 <i>HK\$'000</i> (audited)
Asset-backed securities ( <i>Note a</i> )	151,999	192,246
Bank loans ( <i>Note b</i> )	2,820,110	2,128,019
Loan from immediate holding company ( <i>Note c</i> )	90,000	90,000
Loan from non-controlling interests ( <i>Note d</i> )	62,305	61,565
Other loans ( <i>Note e</i> )	125,571	84,115
	<b>3,249,985</b>	<b>2,555,945</b>
Secured	2,701,312	2,027,069
Unsecured	548,673	528,876
	<b>3,249,985</b>	<b>2,555,945</b>
Carrying amounts repayable:		
Within one year	1,485,037	1,250,142
Over one year but less than two years	627,122	463,974
Over two years but less than five years	807,820	636,046
Over five years	330,006	205,783
	<b>3,249,985</b>	<b>2,555,945</b>
Analysed as:		
Current	1,485,037	1,250,142
Non-current	1,764,948	1,305,803
	<b>3,249,985</b>	<b>2,555,945</b>

During the period, the Group settled borrowings amounting to HK\$293,245,000 (31 December 2020: borrowings amounting to HK\$818,914,000).

## 16. BORROWINGS (Continued)

### Notes:

- (a) In September 2020, the Group issued an Asset-backed Securities (“ABS”) by Canton Greengold Financial Leasing Ltd, a subsidiary of the Company, in the aggregate principal amount of RMB186,000,000 to qualified investors in the PRC. The ABS has a fixed coupon rate of 6.071% per annum and a maturity term of 5 years. The investors may exercise early redemption rights or resell rights in respect of such securities at the end of the 3rd year (i.e. September 2023) during the term of the Asset-backed securities.
- (b) On 6 December 2017, the Group obtained a loan facility from a bank for which a controlling shareholder has provided the necessary corporate guarantee as security. As at 30 June 2021 and 31 December 2020, the Group has an outstanding loan amount of USD90,000,000 (equivalent to HK\$698,948,000).

On 16 April 2018, the Group obtained a loan facility of HK\$40,000,000 (loan facility 1) from Hang Seng Bank. Since the facility limit would be reduced by 10% of the facility amount each year, it became HK\$28,000,000 during the year. On 11 April 2019, the Group obtained another loan facility of HK\$52,700,000 (loan facility 2) from Hang Seng Bank. These two loan facilities were secured by the Group’s properties which are situated at Unit 01, 14 and 15 on 5th Floor, Wing On Plaza, No. 62 Mody Road, Kowloon, Hong Kong, and 17th Floor, Sing-Ho Finance Building, Nos. 166/168 Gloucester Road, Hong Kong. As at 30 June 2021, the total outstanding amount of the loan was HK\$54,350,000 (31 December 2020: HK\$76,350,000).

On 24 September 2019, the Group obtained loan facilities of RMB200,000,000 in total from Guangdong Nanhai Rural Commercial Bank. The loan facilities are secured by the Group’s investment properties, property, plant and equipment and entity interest of a subsidiary. The interest rate of the loans are floating interest rate plus a premium calculated at 15% above the prevailing RMB benchmark rate published by The People’s Bank of China. As at 30 June 2021, the Group has an outstanding loan amount of HK\$131,611,000 (31 December 2020: HK\$131,829,000).

On 15 July 2020, the Group entered into a loan agreement with China Development Bank, for a loan of RMB285,000,000. As at 30 June 2021, the Group has drawdown a total of RMB158,798,000 (equivalent to approximately HK\$190,863,000) (31 December 2020: RMB102,270,000 (equivalent to approximately HK\$121,461,000)). The interest rate of the loan is floating interest rate plus an interest spread not lower than 5BP above the benchmark rate. The loan was secured by rental receivables of residential and commercial housing and carparks.

During the period, specifically for the operation of financial leasing business, the Group obtained additional loans from Guangdong Nanhai Rural Commercial Bank, Bank of DongGuan, China CITIC Bank, China Everbright Bank Co., Limited, China Minsheng Bank and Meizhou Hakka Bank Co. Ltd. which amounting RMB676,480,000 (equivalent to approximately HK\$813,077,000) in total. As at 30 June 2021, the aggregate amount of the loans for the financial leasing business that are interest bearing at floating rates ranging from 4.25% to 6.5% per annum (31 December 2020: 4.55% to 6.50% per annum) were approximately HK\$1,630,967,000 (31 December 2020: HK\$971,699,000), in which approximately HK\$19,712,000 (31 December 2020: HK\$53,444,000) of loans are secured by the Group’s investment properties and property, plant and equipment, while approximately HK\$1,452,002,000 (31 December 2020: HK\$817,305,000) of the loans are secured by the finance lease receivables of the Group. Such loans are repayable within 5 years according to their own repayment schedules.



## 16. BORROWINGS (Continued)

*Notes: (Continued)*

- (c) On 5 December 2017, the Group obtained a three-year loan amounting to HK\$90,000,000 from the Group's immediate holding company, Prize Rich Inc. which is unsecured and with a fixed interest rate at 3% per annum. On 3 December 2020, the Group entered into the Supplemental Loan Agreements with Prize Rich Inc., in which the loan repayment period for the loan was extended by two years to December 2022. Interest rates and all other terms and conditions of the loans remained unchanged.
- (d) In 2020, the Group acquired two loans, amounting to RMB51,838,000 (equivalent to approximately HK\$61,565,000) in total through the acquisition of a non-wholly owned subsidiary. The interest rate of the loans are floating interest rate 4.75% adjusted with reference by the prevailing borrowing benchmark rate published by The People's Bank of China.
- (e) In March 2018, the Group obtained two two-year unsecured loans amounting to RMB70,000,000 (equivalent to approximately HK\$84,135,000) in total from two independent third parties, in which the loan amounting to RMB40,000,000 (equivalent to approximately HK\$48,077,000) carries a floating interest rate plus a premium calculated at 10% above the prevailing RMB benchmark rate published by The People's Bank of China. The remaining loan amounting to RMB30,000,000 (equivalent to approximately HK\$36,058,000) carries a floating interest rate of the prevailing RMB benchmark rate published by The People's Bank of China. On 26 February 2019 and 27 February 2019, the Group entered into the Supplemental Loan Agreements with these two parties respectively, in which the loan repayment periods for these two loans were extended by two years to March 2022. Interest rates and all other terms and conditions of the loans remained unchanged. One out of the two parties had agreed to extend a portion at the loan amounting to RMB40,000,000 by two years to March 2024. The corresponding supplemental Loan Agreement will be discussed two months before the maturity date.

According to HK Int 5, which requires the classification of whole instalment loans containing the repayment on demand clause as current liabilities, the Group's loans with the aggregate carrying amounts of approximately HK\$774,666,000 (31 December 2020: HK\$796,216,000) have been classified as current liabilities in the Group's condensed consolidated statement of financial position. Taking into account the Group's financial position and assets pledged for the loans, the Directors did not believe that it was probable that the lenders would exercise the discretionary rights to demand immediate payments. The Directors believed that the loans would be repaid in accordance with the repayment schedules set out in the loans agreements. The total cash outflows for the principals and interests of the loans amounted to approximately HK\$794,996,000 (31 December 2020: HK\$824,245,000).

The total secured bank loans of approximately HK\$2,701,312,000 (31 December 2020: HK\$2,027,069,000) are secured by the Group's investment properties and property, plant and equipment of approximately HK\$557,733,000 (31 December 2020: HK\$534,244,000) that is situated at Phase 1 of Guangdong – Hongkong Finance & Technology Park, 6 Jinke Road, Guicheng Street, Nanhai District, Foshan City, Guangdong Province, the PRC; Unit 01, 14 and 15 on 5th Floor, Wing On Plaza, No. 62 Mody Road, Kowloon, Hong Kong; 17th Floor, Sing-Ho Finance Building, Nos. 166/168 Gloucester Road, Hong Kong; and Block AB to F, Xianhuwan Commercial Plaza, No. 3 Yangguang Road, Danzao Xianhu Resort Area, Nanhai District, Foshan City, Guangdong Province, the PRC, the pledged finance lease receivables amounted to approximately HK\$1,930,273,000 (31 December 2020: HK\$1,211,168,000) and the pledged bank deposits amounted to approximately HK\$20,197,000 (31 December 2020: HK\$25,468,000).

## 16. BORROWINGS (Continued)

The Group's borrowings are denominated in the following currencies:

	<b>30 June 2021 HK\$'000 (unaudited)</b>	<b>31 December 2020 HK\$'000 (audited)</b>
Hong Kong Dollars	<b>166,698</b>	189,370
Renminbi	<b>2,384,339</b>	1,668,749
USD	<b>698,948</b>	697,826
	<b><u>3,249,985</u></b>	<b><u>2,555,945</u></b>

## 17. COMPARATIVE FIGURES

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

## 18. EVENT AFTER REPORTING PERIOD

On 23 August 2021, Canton Greengold Financial Leasing Ltd. ("Greengold Leasing") entered into finance leases with three limited liability companies incorporated in the PRC, all belonging to independent third parties, to acquire the ownership of the assets from these companies for an aggregate consideration of RMB50,000,000 (equivalent to approximately HK\$60,100,000), which would be leased back to these companies for their own use and possession for a term of five years.

Further details of these finance leases are set out in the Group's announcement dated 25 August 2021.

## RESULTS

### BUSINESS REVIEW

The Group completed acquisition of Guangdong Tiannuo Investments Co., Ltd. (“Tiannuo”) in September 2020 and consolidated Tiannuo into its financial statements, which contributed revenue of approximately HK\$68,404,000. In addition, the progress of financial leasing business generated operating income of approximately HK\$16,354,000. Moreover, leveraging the reorganization of the welfare center of Nanhai District, the Group took over Foshan City Nanhai District Taoyuan Nursing Home Company Limited (“Taoyuan Nursing Home”) and Foshan City Nanhai District Taoyuan Rehabilitation Hospital Co., Limited (“Taoyuan Rehabilitation Hospital”) in mid-May 2021, which increased the operating income from wellness elderly care business by approximately HK\$7,717,000. Meanwhile, other businesses also recorded desirable operating income as compared the same period of last year. For the six months ended 30 June 2021, the Group achieved total revenue of approximately HK\$205,207,000, representing a substantial year-on-year increase of 114.6%.

During the corresponding period last year, an impairment loss of approximately HK\$20,170,000 was provided due to the valuation of 25% equity interests in Guangdong Financial Leasing which was held for sale, while no similar asset impairment loss was provided during the first half of 2021. In addition, given the constant decline in interest rates, the Group proactively controlled financing costs such as interest expenses, leading to a year-on-year decrease in interest expenses (excluding operating interest costs of financial leasing business) of approximately HK\$7,583,000 compared with the same period of last year; However, although the financial leasing business contributed operating income to the Group, in response to the challenges brought by COVID-19 epidemic and intensified market competition, the Company took the initiative to reduce the financial leasing rate of some customers, which resulted in a decline in gross profit. In addition, for the sake of prudence, allowance for expected credit losses increased significantly compared with the same period last year, resulting in a decrease in profit of approximately HK\$6,849,000. Meanwhile, as Tiannuo is currently at the critical stage for technology upgrade and transformation, certain of its production lines have accordingly suspended operation, leading to a slump in production and in turn a substantial impact on sales activities. In addition, disposal and/or scrapping of existing fixed assets due to the transformation resulted in millions of one-off losses, which therefore incurred losses of HK\$9,818,000 to Tiannuo. Moreover, the implementation of investment on development of industrial park Project in Danzao has resulted in an increase in the cost and administrative expenses. It led to operating losses of the property investment business of approximately HK\$6,846,000. Besides, the initial operation of Taoyuan Welfare Center and Taoyuan Rehabilitation Hospital led to a further increase in operating losses of the wellness elderly care business. Combined with other factors, net loss of the Group narrowed by 27% to approximately HK\$13,093,000 from HK\$17,939,000 for the corresponding period last year.

## **FINANCIAL LEASING BUSINESS**

Although the financial leasing business was exposed to the challenges brought by the intensified market competition and the impact of the COVID-19 epidemic, the Group resolutely followed the established strategies, closely focused on the strategic goal of developing into a first-class environmental-friendly and professional financial leasing company in China, and continued to cultivate the subsectors of the municipal environmental protection industry. It strived to forge ahead through selecting the optimal lessees, and adopting appropriate risk management measures. Therefore, it has not incurred any bad debts so far. Leveraging unremitting efforts, the operating income increased by 21.5% to approximately HK\$92,533,000 in the first half of the year. However, due to the fierce market competition, the Company took the initiative to reduce the financial leasing rate of some customers, resulting in a decline in gross profit. In addition, for the sake of prudence, the Group significantly increased the allowance for expected credit losses by approximately HK\$4,928,000, an increase of approximately HK\$914,000, or 4.4 times, from that of the same period last year, which, together with other factors, led to a decline in operating profit by 16.1% to approximately HK\$35,560,000.

## **INVESTMENTS IN PROPERTIES AND INDUSTRIAL PARKS**

During the corresponding period last year, to alleviate the hardship suffered by tenants as a result of the epidemic, the Group offered a series of rental reduction measures, leading to a decrease in rental income. In comparison, rental income during the first half of 2021 increased by 36.6% to approximately HK\$5,633,000. Specifically, the overall occupancy rate of China Holdings Building rose to approximately 93.94%, contributing to an increase of 39.3% in rental income to approximately HK\$5,220,000 due to rental adjustment during the period. Shantou Commercial Plaza recorded a decreased by 16.7% in rental income year-on-year to approximately HK\$140,000 as the lease term was not renewed upon maturity in May 2021 and it did not secure new tenants. As for properties in Hong Kong, despite the rental reduction measures offered in the corresponding period of last year, the tenants terminated the lease in May 2020 ahead of expiration due to the impact of the epidemic, and leases with new tenants were not signed until November 2020, leading to an increase in rental income by 30% year-on-year to approximately HK\$273,000.

With its solid position in the property development and investment sector and by leveraging its experience in such fields, the Group is striving to develop the new energy industrial park in Danzao Town, Nanhai District, Foshan City, the PRC, which comprises production plant, pilot test base, research and development center and related supporting facilities. In the first half of the year, phase I project has been partially completed, with a leasable area of approximately 180,000 square meters. During the period, the Group entered into lease agreements with seven enterprises and delivered some of the plants. As of 30 June 2021, the cumulative area actually delivered reached approximately 73,000 square meters. The Group will continue to strengthen business attraction, step up publicity and planning, appeal to different types of customers, conduct targeted investment attraction, control the proportion of various types of customers, and shift to active investment promotion from the previous passive approach. Accordingly, with the completion, delivery and commencement of operation of some factories and related supporting facilities, the operating income in the first half of the year amounted to approximately HK\$4,926,000.

## **BIG DATA BUSINESS**

The Group will make on-going efforts to conduct surveys on and develop big data industrial projects, contribute to the market-oriented shift of technological research, explore innovative applications and business models, and improve independent research and development capabilities. It will not only proactively promote existing special projects, enrich business qualifications, and strengthen the establishment and management of existing projects, but also actively venture into new projects and advance big data business with an emphasis on industrial Internet. Moreover, the Group will continue to focus on the open platform of Internet of Things and extend business presence into the fields of smart medical care and smart energy and develop related products. Despite the COVID-19 pandemic, the operating income in the first half of the year increased by 59.6% compared with the same period last year to approximately HK\$19,794,000. The segment recorded the operating profit amounted to approximately HK\$1,780,000, an increase of 70.8% compared with the same period last year.

## **WELLNESS ELDERLY CARE BUSINESS**

The Group will continue to develop a three-tier elderly care system comprising institutions, communities and households in Nanhai District and promote the further growth of institutional elderly care service leveraging the premium elderly model “integrating medical and care services”. To cater for the nursing needs of Jiujiang Taoyuan Nursing Home which is under the Group’s entrusted management, the Group established the self-operated Foshan City Nanhai District Taoyuan Nursing Home Company Limited\* (“Taoyuan Nursing Home”) and officially commenced private trial operation on 26 April 2021. Meanwhile, capitalizing on the reorganization of welfare center of Nanhai District, the Group took over Taoyuan Welfare Center and Taoyuan Rehabilitation Hospital in mid-May by virtue of entrusted management, thereby successfully extending the institutional elderly care services. Besides, in respect of Smart Elderly Care Services Platform, the Group continued to drive the upgrade of Smart Elderly Care Services Platform and development of newly launched business systems, expand promotion channels of home services and enrich product portfolio of home-based elderly care services to explore the operating model integrating home-based and community elderly care services through combing online and offline operations. For the six months ended 30 June 2021, the wellness elderly care business recorded revenue of approximately HK\$7,887,000, representing a significant increase of 45.4 times from the corresponding period last year. However, as several extended businesses are still in initial stage and did not generate immediate profits, operating loss increased by 1.4 times to approximately HK\$4,260,000, which is expected to improve in the second half of the year.

## **HOTEL BUSINESS**

In 2021, given rebounds of COVID-19 pandemic, prospects of the tourist market remained uncertain amid great instabilities, as recovery in the overseas market was depressed and revenue was primarily derived from domestic tourists. Guilin Plaza (“Guilin Plaza”) adjusted its customer mix through adopting flexible strategies, but its income was still deeply dented. Despite the undesirable occupancy rate, its average occupancy rate improved by 25.59% year-on-year to 44.05%, the average room rate also increased by approximately 16.5% year-on-year, the operating income increased significantly by 1.2 times year-on-year to approximately HK\$6,030,000, and the operating loss narrowed by 32.5% year-on-year to approximately HK\$3,221,000.

## **CIVIL EXPLOSIVES BUSINESS**

The Group completed acquisition of Tiannuo in September 2020 and consolidated the results of the business of Tiannuo, facilitating the Group to improve its profitability and explore domestic civil explosives business. However, as Tiannuo is currently at the critical stage for technology upgrade and transformation, certain of its production lines have accordingly suspended operation, leading to a slump in production volume and in turn a substantial impact on sales activities. In addition, disposal and/or scrapping of existing fixed assets due to the transformation resulted in millions of one-off losses, which therefore incurred losses of HK\$9,818,000 to Tiannuo. Nevertheless, the Group still believes that Tiannuo will significantly improve its future performance by carrying out technological upgrade and modification and effectively implementing corresponding cost-reduction reform measures.

## **PROFIT FROM INVESTMENTS IN ASSOCIATES**

Due to the surge in the unit price of raw coal, Nanhai Changhai Power Co., Ltd.\* (“Changhai Power”), a 31.875%-owned associate of the Group, suffered an increase in cost but it was offset by the substantial increase in sales volume and unit price of steam as compared to the same period last year. Accordingly, it recorded an operating profit of approximately HK\$99,452,000. It contributed profit of approximately HK\$31,590,000 to the Group, representing a year-on-year increase of 11.2%.

## **FINANCIAL POSITION AND ANALYSIS**

As at 30 June 2021, the Group had total assets of HK\$6,910,411,000 (31 December 2020: HK\$6,105,371,000), total liabilities of HK\$4,927,955,000 (31 December 2020: HK\$4,117,039,000), a gearing ratio (being total liabilities divided by total assets) of 71.3% (31 December 2020: 67.4%), net assets of HK\$1,982,456,000 (31 December 2020: HK\$1,988,332,000), and equity attributable to owners of the Company per share of HK67.18 cents (31 December 2020: HK\$66.83 cents).

The Group had net current liabilities of HK\$224,872,000 (31 December 2020: HK\$66,332,000), a current ratio (being current assets divided by the current liabilities) approximately 0.87 times (31 December 2020: 0.95 times). The Board believes that net current liabilities is attributable to the obligations under borrowings – due within one year of approximately HK\$688,000,000 (the “Borrowings”) with the repayment on demand clause which were classified as current liabilities in accordance with HK Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and are not repayable within one year from the end of the reporting period according to the repayment schedule. The Directors are of the opinion that the Borrowings will not be required to be repaid in full within a year under normal circumstances and when the payments are made according to schedule, which the Directors are confident that they could achieve. Taking this into consideration, the Directors consider that the liquidity position of the Group would be positive and the Group can maintain the business as a going concern. On the other hand, the Group had bank balance and cash of HK\$667,438,000 (31 December 2020: HK\$798,263,000), are sufficient for capital requirements for future operation and new projects or business development of the Group.



## **PLEDGE OF ASSETS**

As at 30 June 2020, properties of the Group for own use and investment, bank deposits, entity interest of a subsidiary held by the Group and finance lease receivables with a carrying value of approximately HK\$2,752,192,000 were pledged to banks as the security for the bank borrowings granted to the Group (31 December 2020: properties of the Group for own use and investment, bank deposits, entity interest of a subsidiary held by the Group, and finance lease receivables with a carrying value of approximately HK\$2,011,973,000 were pledged to banks).

## **FOREIGN EXCHANGE EXPOSURE**

The Group's main operating income and costs are denominated in RMB. In the business operation of the Group, foreign exchange fluctuation of income and costs would be mutually offset. However, as the Hong Kong-based Group has injected a substantial amount of current borrowings into domestic wholly-owned subsidiaries in Mainland China and held a huge amount of monetary assets denominated in RMB, an exchange gain or loss would arise from the appreciation or depreciation of RMB. It is expected that an increase or a decrease of approximately HK\$8,174,000 in the Group's profit for the year would arise if the exchange rate of RMB to HKD appreciates or depreciates by 5%. Over the few past years, RMB constantly showed an upward trend and gradually became stable in the second half of 2008, starting to fluctuate upward and downward repeatedly. Due to the Sino-US trade war and deteriorating Sino-US relations in recent years, the exchange rate of RMB against USD continuously weakened; however, China's economy began to recover vigorously after controlling the epidemic effectively while the global economy was staggered by the impact of the epidemic breakout last year, stimulating the appreciation of RMB, which not only reversed the slight exchange loss of approximately HK\$103,000 recorded during the same period last year, but also generated exchange gain of approximately HK\$542,000. Therefore, the Board believes that RMB will be immensely affected by the Sino-US relations and epidemic dynamics in the short term, the path of which is hard to predict, but in the long run, it is expected that RMB will remain stable and will not expose the Group to significant and long term adverse foreign exchange risk. Accordingly, it is not necessary for the Group to hedge against foreign exchange risk at the moment.

## OUTLOOK

Although the Group faces the impact of economic uncertainty worldwide and in China brought about by epidemic rebounds, the Group will continue to adjust business layouts based on market trends and grasp potential opportunities and navigate through adversities. With experience accumulated during the course of transformation and upgrade over past years, the Group will strive to constantly enhance its business activities, shifting its development focus to segments such as industrial parks/property development and investment, financing, technology, wellness elderly care, and civil explosives. In respect of property development and investment, building on its solid foundation in the property development and investment sector and leveraging its experience in such fields, the Group will continue to develop the new energy industrial park in Danzao Town, Nanhai District, Foshan City, China by rapidly advancing the construction of the industrial park and intensifying promotion efforts in business attraction, in a bid to successively introduce enterprises into the park to generate stable rental income and related gains for the Group and expedite the process of forging such income into a major growth driver of the Group in future. In respect of the financial sector, despite the challenges posed by ever-intensifying market competition and volatile COVID-19 pandemic, the Group will continue to “abide by the general strategy of focusing on stability while seeking progress”, stick to the direction of professionalism in green environmental protection financial leasing, and comprehensively build up the core competitiveness of financial leasing in the environmental protection segment, striving to grow into a leading environmental-friendly finance leasing company in China. In respect of the technology sector, by taking advantages of the opportunities arising from the new smart city construction plan in Nanhai District, the Group will continue its research and development efforts in the big data industry projects, leverage market forces in technological research and development, explore innovation applications and business models, improve research and development efficiency, and strive to create key products meeting market demands as a growth engine to our profitability in the future. In the wellness elderly care sector, the Group will continue to head toward the direction of developing a three-tier elderly care system comprising institutions, communities and households in Nanhai District, advance the premium elderly care services “integrating medical and care services” and endeavour to forge the “Taoyuan” elderly care brand into an industry model. In the civil explosives sector, Tiannuo will earnestly complete technological upgrade and transformation as soon as practicable, and proactively adopt cost reduction measures to substantially improve its future performance and contribute steady revenue streams to the Group in future. In addition, the Group will, through its joint ventures and associates, participate and invest in power generation and other high-growth industries in the PRC. With the above business development directions, the Group will continuously expand its business and gradually achieve the goal of increasing and maintaining stable returns for shareholders.



## **EMPLOYEES**

The total number of employees of the Group is approximately 954 (31 December 2020: 527). The remuneration of the employees of the Group is determined on the basis of performance and responsibility of the employees. The Group provides education allowances to the employees.

## **INTERIM DIVIDEND**

The Directors resolved not to declare payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES**

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed shares.

## **CORPORATE GOVERNANCE**

The Company puts great emphasis on corporate governance which is reviewed and strengthened on a continued basis. The Company has adopted all the code provisions under the Corporate Governance Code ("the Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code on corporate governance practice. For the six months ended 30 June 2021, the Company has complied with all the code provisions under the Code, except the deviation from code provision A.2.1 as set out below.

According to the code provision A.2.1 of the Code, the roles of the chairman and chief executive (i.e. managing director) should be separate and should not be performed by the same individual.

Following the resignation of Mr. Lin Pingwu as the managing director of the Company on 5 September 2020, Mr. He Xiangming, the Company's chairman, has also assumed the role as the managing director of the Company. The Company believes that vesting both roles in Mr. He with the assistance of the deputy managing directors will allow for more effective planning and execution of business strategies. As all major decisions are made in consultation with members of the Board, the Company believes that there is adequate balance of power and authority in place. Although Mr. He performs both the roles of chairman and managing director, the division of responsibilities between the chairman and managing director is clearly established. However, it is the long-term objective of the Company to have these two roles performed by separate individuals when suitable candidates are identified.

## CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (“the Model Code”) set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors. On specific enquiry made, all Directors have confirmed that, in respect of the six months ended 30 June 2021, they have complied with the required standard as set out in the Model Code.

## AUDIT COMMITTEE

The audit committee comprising the three independent non-executive Directors of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters including a general review of the audited consolidated financial statements for the six months ended 30 June 2021.

By Order of the Board of  
**China Investments Holdings Limited**  
**He Xiangming**  
*Chairman*

Hong Kong, 26 August 2021

*As at the date of this announcement, the Board consists of five executive Directors, namely Mr. HE Xiangming (Chairman and Managing Director), Mr. YOU Guang Wu (Director), Mr. HUANG Zhihe (Deputy Managing Director), Ms. WANG Xin (Deputy Managing Director) and Mr. CHENG Weidong (Deputy Managing Director) and three independent non-executive Directors, namely Mr. CHAN Kwok Wai, Mr. CHEN Da Cheng and Mr. DENG Hong Ping.*