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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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

AUDITED CONSOLIDATED ANNUAL RESULTS

The board of directors (the “Directors”) of China Investments Holdings Limited (the “Company”) announces the audited consolidated annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	NOTES	2020 HK\$'000	2019 HK\$'000 (Restated)
Continuing operations			
Revenue	3	293,555	161,065
Cost of sales and services		(137,763)	(90,784)
Gross profit		155,792	70,281
Other operating income	5	110,493	97,038
Selling and distribution costs		(9,049)	(4,349)
Administrative expenses		(148,689)	(116,351)
Share of profit of associates		67,897	84,354
Increase in fair value of investment properties		49	4,618
Increase in fair value of financial assets at fair value through profit or loss		20,094	41,015
Impairment loss on property held for sale		(1,598)	—
Gain on write-off of other payables legally time barred and lapsed		—	78,819
Net loss on step acquisition	16	(5,667)	—
Loss on early redemption of convertible notes		—	(991)
Loss on the disposal of subsidiaries and an asset classified as held for sale	17	(39,177)	—
Impairment loss on an asset classified as held for sale		—	(28,838)
Impairment loss on finance lease receivables		(14,589)	(1,009)
Impairment loss on other receivables		(38,033)	—
Finance costs	6	(123,696)	(109,032)

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

For the year ended 31 December 2020

	<i>NOTES</i>	2020 HK\$'000	2019 <i>HK\$'000</i> (Restated)
(Loss)/profit before taxation		(26,173)	115,555
Income tax expense	7	<u>(39,333)</u>	<u>(34,127)</u>
(Loss)/profit for the year from continuing operations	8	(65,506)	81,428
Discontinued operation			
Loss for the year from discontinued operation		<u>(530)</u>	<u>(1,516)</u>
(Loss)/profit for the year and attributable to owners of the Company		<u>(66,036)</u>	<u>79,912</u>
Other comprehensive income/(expense), net of income tax			
<i>Items reclassified to profit or loss:</i>			
Exchange difference upon deemed disposal of a foreign associate		–	231
Release of exchange reserve upon step acquisition from an associate to a subsidiary	16	5,688	–
Release of exchange reserve upon disposal of subsidiaries and an asset classified as held for sale	17	21,231	–
<i>Item that will not be reclassified to profit or loss:</i>			
Surplus on revaluation of hotel properties		4,894	4,694
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		111,124	(15,863)
Gain on partial disposal of interest in a subsidiary		–	8,927
Share of exchange difference of associates		<u>33,407</u>	<u>(15,436)</u>
Other comprehensive income/(expense) for the year, net of income tax		<u>176,344</u>	<u>(17,447)</u>
Total comprehensive income for the year		<u>110,308</u>	<u>62,465</u>

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

For the year ended 31 December 2020

	2020	2019
<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
(Loss)/profit for the year attributable to:		
Owners of the Company	(83,871)	68,612
Non-controlling interests	17,835	11,300
	<u>(66,036)</u>	<u>79,912</u>
Total comprehensive income attributable to:		
Owners of the Company	39,191	58,213
Non-controlling interests	71,117	4,252
	<u>110,308</u>	<u>62,465</u>
(Loss)/earnings per share	<i>10</i>	
From continuing and discontinued operations		
Basic	<u>(HK4.90 cents)</u>	<u>HK4.01 cents</u>
Diluted	<u>(HK4.90 cents)</u>	<u>HK4.01 cents</u>
From continuing operations		
Basic	<u>(HK4.87 cents)</u>	<u>HK4.10 cents</u>
Diluted	<u>(HK4.87 cents)</u>	<u>HK4.10 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	NOTES	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Investment properties		350,058	313,415
Property, plant and equipment		1,216,148	510,091
Goodwill		132,151	—
Interests in associates		569,674	651,873
Financial assets at fair value through profit or loss		13,643	14,318
Finance lease receivables	12	1,348,274	739,311
Rental deposits		4,821	4,842
Right-of-use assets	11	1,014,500	988,067
Deductible value added tax		50,416	—
		<u>4,699,685</u>	<u>3,221,917</u>
Current assets			
Properties held for sale		6,500	8,098
Inventories		5,257	529
Financial assets at fair value through profit or loss		63,881	40,439
Finance lease receivables	12	438,765	523,544
Trade and other receivables	13	66,585	79,440
Tax recoverable		967	—
Pledged bank deposits		25,468	32,958
Cash and cash equivalents		798,263	1,028,396
		<u>1,405,686</u>	<u>1,713,404</u>
Asset classified as held for sale		<u>—</u>	<u>212,345</u>
		<u>1,405,686</u>	<u>1,925,749</u>
Current liabilities			
Trade and other payables	14	94,576	54,502
Tax payables		28,988	31,442
Deferred income	15	312	—
Deferred tax liabilities		44,118	—
Deposits received from customers		3,207	13,076
Lease liabilities	11	50,675	17,427
Borrowings		1,250,142	1,303,788
		<u>1,472,018</u>	<u>1,420,235</u>
Net current (liabilities)/assets		<u>(66,332)</u>	<u>505,514</u>
Total assets less current liabilities		<u><u>4,633,353</u></u>	<u><u>3,727,431</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2020

		2020	2019
	NOTES	HK\$'000	HK\$'000
Capital and reserves			
Share capital		171,233	171,233
Reserves		<u>973,164</u>	<u>933,973</u>
Equity attributable to owners of the Company		1,144,397	1,105,206
Non-controlling interests		<u>843,935</u>	<u>600,764</u>
Total equity		<u>1,988,332</u>	<u>1,705,970</u>
Non-current liabilities			
Borrowings		1,305,803	846,249
Convertible notes		122,565	113,453
Deferred income	15	81,960	–
Deferred tax liabilities		17,559	10,558
Deposits received from customers		75,133	43,798
Lease liabilities	11	<u>1,042,001</u>	<u>1,007,403</u>
		<u>2,645,021</u>	<u>2,021,461</u>
		<u>4,633,353</u>	<u>3,727,431</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL

The Company is incorporated in Bermuda as an exempt company with limited liability and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its immediate holding company is Prize Rich Inc, which is incorporated in the British Virgin Islands (“BVI”) and its ultimate holding company is Guangdong Nanhai Holding Investment Co., Ltd, which is incorporated in the People’s Republic of China (“the PRC”). The addresses of the registered office and principal place of business of the Company are disclosed in the “Corporate Information” section of the annual report.

During the year, the principal activities of the Group are big data business, civil explosives business, property development and investment, financial leasing, hotel operation, investment holding and wellness elderly care business. The principal activities of the Company and its subsidiaries (the “Group”) are described in Note 4.

T-Box ® business was discontinued on 1 July 2020. Accordingly, the comparative figures in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 have been restated to reflect the discontinued operation.

Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is their Company’s functional and the Group’s presentation currency.

Going concern

Notwithstanding that the Group had incurred net current liabilities of approximately HK\$66,332,000 as at 31 December 2020, the consolidated financial statements at 31 December 2020 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\$690,935,000 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 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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA which are or have become effective for the Group’s financial year beginning on 1 January 2020:

HKFRS 3 (Amendments)	Definition of a Business
HKFRS 7, HKFRS 9 and HKAS 39 (Amendments)	Interest Rate Benchmark Reform
HKFRS 16 (Amendments)	COVID-19 Related Rent Concessions (Early adopted)
HKAS 1 and HKAS 8 (Amendments)	Definition of Material
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting

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

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective. The Directors of the Group anticipate that the application of these new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

HKFRS (Amendments)	Annual improvements to HKFRSs 2018 – 2020 cycle ²
HKFRS 3 (Amendments)	Reference to Conceptual Framework ²
HKFRS 4, HKFRS 7, HKFRS 9, HKFRS 16 and HKAS 39 (Amendments)	Interest rate Benchmark Reform – Phase 2 ¹
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and Associate or Joint Venture ⁴
HKFRS 17	Insurance Contracts and related Amendments ³
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current ³
HKAS 16 (Amendments)	Property, Plant and Equipment: Process before Intended Use ²
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract ²

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective date to be determined.

3. REVENUE

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
Continuing operations		
Revenue from contracts with customers recognised at a point in time:		
Consultancy service income from financial leasing	68,479	32,682
Food & beverage	–	4
Logistics income from civil explosives business	3,129	–
Operating income from big data business	7,886	2,724
Other income from hotel operation	902	1,050
Sales of emulsion services explosives and industrial detonating cord	82,792	–
Sales of properties	–	30,378
Service income from wellness elderly care business	1,928	7,407
	<u>165,116</u>	<u>74,245</u>
Revenue from contracts with customers recognised over time:		
Construction of platform and technical service income from big data business	18,023	16,157
Logistics income from civil explosives business	363	–
Service income from hotel operation	5,062	7,651
Service income from property investments	947	–
Service income from wellness elderly care business	379	470
	<u>24,774</u>	<u>24,278</u>
Revenue from other sources:		
Rental income from hotel properties	4,233	4,814
Rental income from investment properties and properties held for sale	9,309	9,879
Interest income from financial leasing	90,123	47,849
	<u>103,665</u>	<u>62,542</u>
	<u><u>293,555</u></u>	<u><u>161,065</u></u>

4. 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 platform construction, smart city construction and big data operation and management
Civil explosives business	– manufacture and sale of emulsion explosives and industrial detonating cord
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 investment in the development and construction of industrial park
Wellness elderly care business	– comprehensive elderly care services

For the property investments, the management reviews the financial information of each property investment, hence each property investment constitutes a separate operating segment. However, the property investments possess similar economic characteristics, and are with similar development and selling activities as well as similar customer bases. Therefore, all property investments are aggregated into one reportable segment for segment reporting purposes.

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

4. SEGMENT INFORMATION (Continued)

Segment information about these continuing operations presented below:

	Segment Revenue		Segment Result	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
Big data business	25,909	18,881	1,907	29
Civil explosives business	86,284	–	663	–
Financial leasing	158,602	80,531	81,111	35,457
Hotel operation	10,197	13,519	(7,898)	(5,504)
Property investments	10,256	40,257	(32,467)	4,246
Wellness elderly care business	2,307	7,877	(2,979)	(3,051)
Total	293,555	161,065	40,337	31,177
Bank interest income			14,510	14,501
Finance costs (excluding interest on lease liabilities)			(72,659)	(66,974)
Gain on deemed disposal of an associate			–	4,400
Gain on disposal of financial assets at fair value through profit or loss			1,620	–
Gain on write-off of other payables legally time barred and lapsed			–	78,819
Impairment loss on asset classified as held for sale			–	(28,838)
Impairment loss on other receivables			(38,033)	–
Increase in fair value of financial assets at fair value through profit or loss			20,094	41,015
Interest income from wealth management product			418	1,206
Loss on early redemption of convertible notes			–	(991)
Loss on the disposal of subsidiaries and an asset classified as held for sale			(39,177)	–
Net central administration cost			(28,359)	(29,945)
Net exchange gain/(loss)			17,308	(5,138)
Net loss on step acquisition			(5,667)	–
Professional fee			(4,462)	(8,031)
Share of profit of associates			67,897	84,354
(Loss)/profit before taxation			(26,173)	115,555
Income tax expense			(39,333)	(34,127)
(Loss)/profit for the year			(65,506)	81,428

4. SEGMENT INFORMATION (Continued)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2019: Nil).

Segment result represents the profit generated by each segment without allocation of bank interest income, finance costs (excluding interest on lease liabilities), gain on deemed disposal of an associate, gain on disposal of financial assets at fair value through profit or loss, gain on write-off of other payables legally time barred and lapsed, impairment loss on asset classified as held for sale, impairment loss on other receivables, increase in fair value of financial assets at fair value through profit or loss, interest income from wealth management product, loss on the disposal of subsidiaries and an asset classified as held for sale, loss on early redemption of convertible notes, professional fee, net central administration costs, net exchange gain/(loss), net loss on step acquisition and share of profit of associates. This is the measure reported to the Group's management for the purposes of resources allocation and performance assessment.

Note: Certain reclassification have been made to the prior year to conform with the presentation of the segment result for the current year.

Segment assets and liabilities

	2020	2019
	HK\$'000	HK\$'000
		(Restated)
Segment assets		
Continuing operations		
Big data business	12,871	11,998
Civil explosives business	410,302	–
Financial leasing	1,801,201	1,271,502
Hotel operation	146,978	150,063
Property investments	2,169,339	1,600,868
Wellness elderly care business	12,201	10,144
	<hr/>	<hr/>
Total segment assets	4,552,892	3,044,575
Assets relating to discontinued operation	121	327
Pledged bank deposit	25,468	32,958
Cash and cash equivalents	798,263	1,028,396
Interests in associates	569,674	651,873
Financial assets at fair value through profit or loss	77,524	54,757
Asset classified as held for sale	–	212,345
Other unallocated assets	81,429	122,435
	<hr/>	<hr/>
Consolidated assets	6,105,371	5,147,666

4. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
Segment liabilities		
Continuing operations		
Big data business	14,537	5,777
Civil explosives business	131,688	–
Financial leasing	1,275,786	1,016,572
Hotel operation	4,455	4,523
Property investments	1,645,418	1,198,044
Wellness elderly care business	2,112	1,909
Total segment liabilities	3,073,996	2,226,825
Liabilities relating to discontinued operation	1,099	403
Convertible notes	122,565	113,453
Borrowings	886,216	1,044,693
Other unallocated liabilities	33,163	56,322
Consolidated liabilities	4,117,039	3,441,696

Other segment information

2020

Continuing operations

	Big data business <i>HK\$'000</i>	Civil explosives business <i>HK\$'000</i>	Financial Leasing <i>HK\$'000</i>	Hotel operation <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Wellness elderly care business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Depreciation of property, plant and equipment	367	4,115	862	9,276	3,359	1,192	19,171
Depreciation of right-of-use assets	–	58	–	–	31,024	–	31,082
Additions to property, plant and equipment	1,778	5,899	232	163	437,708	3,921	449,701
Additions to property, plant and equipment upon step acquisition from an associate to a subsidiary	–	233,720	–	–	–	–	233,720
Loss on disposal of property, plant and equipment	3	29	–	1	–	–	33
Impairment loss on finance lease receivables	–	–	14,589	–	–	–	14,589

4. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

2019 (Restated)

Continuing operations

	Big data business HK\$'000	Civil explosives business HK\$'000	Financial Leasing HK\$'000	Hotel operation HK\$'000	Property investments HK\$'000	Wellness elderly care business HK\$'000	Total HK\$'000
Depreciation of property, plant and equipment	201	–	719	9,152	2,279	233	12,584
Depreciation of right-of-use assets	–	–	–	–	25,566	–	25,566
Additions to investment properties	–	–	–	–	200,145	–	200,145
Additions to property, plant and equipment	348	–	744	88	121,923	6,440	129,543
Impairment loss on finance lease receivables	–	–	1,009	–	–	–	1,009

Geographical segments

The Group's big data business, civil explosives 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 customers		Non-current assets*	
	2020 HK\$'000	2019 HK\$'000 (Restated)	2020 HK\$'000	2019 HK\$'000
The PRC	293,314	160,352	1,475,941	729,025
Hong Kong	241	713	19,506	19,508
	293,555	161,065	1,495,447	748,533

* Non-current assets excluded interests in associates, goodwill, financial assets at fair value through profit or loss, finance lease receivables, rental deposits, right-of-use assets and other unallocated non-current assets

Information about major customers

During the year, HK\$83,383,000 out of the Group's revenues from continuing operations of HK\$293,555,000 arising from civil explosives business were contributed by a customer. And the customer accounted for nearly 29% of Group's total revenue.

5. OTHER OPERATING INCOME

Other operating income included the following items:

	2020 HK\$'000	2019 HK\$'000 (Restated)
Continuing operations		
Bank interest income	14,510	14,501
Compensation and government subsidies received		
– Direct government grant*	21,746	74,288
– Recognition of deferred income*	47,736	–
Gain on deemed disposal of an associate	–	4,400
Gain on disposal of financial assets at fair value through profit or loss	1,620	–
Interest income from rental deposit	217	–
Interest income from wealth management product	418	1,206
Net exchange gain	17,308	–
Rent concession	5,085	–
	<u>123,696</u>	<u>109,032</u>

* It included approximately HK\$57,925,000 (2019: HK\$74,288,000) of compensation and government subsidies received for the development of Industrial Park in Danzao.

6. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000 (Restated)
Continuing operations		
Handling fee	9,526	–
Loan arrangement fee	3,140	3,359
Interest on:		
– Bank loans	39,096	40,785
– Convertible notes	12,437	15,612
– Lease liabilities	51,037	42,058
– Loan from an associate	782	435
– Loan from immediate holding company	2,745	2,737
– Loan from non-controlling interest	922	–
– Other loans	4,011	4,046
	<u>123,696</u>	<u>109,032</u>

7. INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Continuing operations		
Tax charges comprise:		
Current tax:		
Provision for PRC Enterprise Income Tax	(34,323)	(31,778)
Over/(under) provision in previous year:		
Hong Kong Profits Tax	–	2
PRC Enterprises Income Tax	573	(36)
Deferred tax:		
Temporary differences arising in current year	(5,583)	(2,315)
	<u>(39,333)</u>	<u>(34,127)</u>

Hong Kong profits tax is calculated at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits for the year, except for the first HK\$2,000,000 of a qualified entity's assessable profit which is calculated at 8.25% (2019: 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 year ended 31 December 2020.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for the year ended 31 December 2020 (2019: 25%).

8. (LOSS)/PROFIT FOR THE YEAR

	2020 HK\$'000	2019 HK\$'000 (Restated)
Continuing operations		
(Loss)/profit for the year has been arrived at after crediting/(charging):		
Auditor's remuneration		
Audit service	(1,700)	(1,650)
Non-audit service	(494)	(994)
Depreciation of property, plant and equipment	(21,796)	(16,006)
Depreciation of right-of-use assets	(31,082)	(25,566)
Loss on disposal of property, plant and equipment	(33)	–
Gain on write-off of other payables legally time barred and lapsed	–	78,819
Net loss on disposal of properties held for sale	–	(524)
Net exchange gain/(loss)	17,308	(5,138)
Operating lease charges	64	30
Provision written back on trade and other receivables	15	1
Impairment loss on finance lease receivables	(14,589)	(1,009)
Impairment loss on other receivables	(38,033)	–
Cost of properties held for sale recognised as expense	–	(30,902)
Cost of inventories recognised as expense	(41,876)	(1,755)
Total staff costs		
Directors' remuneration	(7,603)	(8,072)
Other staff cost	(69,446)	(35,930)
Retirement benefit schemes contributions for other staffs	(6,348)	(1,778)
Termination benefits	(11,341)	(338)
	<u>(94,738)</u>	<u>(46,118)</u>
Gross rental income from investment properties	9,309	9,879
Less:		
Direct operating expenses from investment properties that generated rental income during the year	(89)	(18)
Direct operating expenses from investment properties that did not generate rental income during the year	<u>(867)</u>	<u>(803)</u>
	<u>8,353</u>	<u>9,058</u>

9. DIVIDENDS

The Directors do not recommend payment of any dividend for the year ended 31 December 2020 (2019: Nil).

10. (LOSS)/EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted (loss)/earnings per share is based on the loss attributable to the owners of the Company of approximately HK\$83,871,000 (2019: profit of approximately HK\$68,612,000) and on the number of 1,712,329,142 ordinary shares (2019: 1,712,329,142 ordinary shares) in issue during the year.

From continuing operations

The calculation of basic and diluted (loss)/earnings per share attributable to owners of the Company is based on the following data:

	2020 HK\$'000	2019 HK\$'000 (Restated)
(Loss)/profit for the year attributable to owners of the Company	(83,871)	68,612
<i>Add:</i>		
Loss for the year from discontinued operation	<u>530</u>	<u>1,516</u>
(Loss)/earnings for the purpose of basic and diluted (loss)/earnings per share from continuing operations	<u>(83,341)</u>	<u>70,128</u>

Number of shares

	2020 '000	2019 '000
Number of ordinary shares for the purpose of basic (loss)/earnings per share	<u>1,712,329</u>	<u>1,712,329</u>

The denominators used are the same as those detailed above for both the basic and diluted (loss)/earnings per share.

For the year ended 31 December 2020 and 2019, there was no diluted (loss)/earnings per share as the exercise of the convertible bonds would have an anti-dilutive effect on the basic (loss)/earnings per share.

11. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

	2020 HK\$'000	2019 HK\$'000
At 1 January	988,067	148,255
Additions during the year	–	879,246
Addition upon step acquisition from an associate to a subsidiary	312	–
Depreciation provided during the year	(31,082)	(25,566)
Adjustment on rental deposit	(1,952)	–
Exchange difference	59,155	(13,868)
	<u>1,014,500</u>	<u>988,067</u>
At 31 December	<u>1,014,500</u>	<u>988,067</u>

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.

Lease liabilities

	2020 HK\$'000	2019 HK\$'000
Maturity analysis		
Contractual undiscounted cash flows:		
Within one year	50,675	17,427
Over one year but less than two years	50,994	47,422
Over two years but less than three years	54,265	47,961
Over three year but less than five years	109,149	102,218
Over five years	2,121,907	2,079,628
	<u>2,386,990</u>	<u>2,294,656</u>
Total undiscounted lease liabilities at the end of the year	2,386,990	2,294,656
Less: Total future interest expenses	(1,294,314)	(1,269,826)
	<u>1,092,676</u>	<u>1,024,830</u>
Analysed as:		
Current	50,675	17,427
Non-current	1,042,001	1,007,403
	<u>1,092,676</u>	<u>1,024,830</u>
At 31 December	<u>1,092,676</u>	<u>1,024,830</u>

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

Lease liabilities (Continued)

The Group recognised rental expenses from short-term leases of approximately HK\$64,000 (2019: approximately HK\$30,000) during the year.

Amounts recognised in the consolidated statement of financial position

	2020 HK\$'000	2019 HK\$'000
At 1 January	1,024,830	150,430
Additions during the year	–	861,045
Additions upon step acquisition from an associate to a subsidiary	385	–
Interest charged to profit or loss	51,037	42,058
Payment during the year	(42,029)	(14,077)
Rent concession	(5,085)	–
Exchange difference	63,538	(14,626)
	<u>1,092,676</u>	<u>1,024,830</u>
At 31 December	<u>1,092,676</u>	<u>1,024,830</u>

Amounts recognised in consolidated statement of profit or loss and other comprehensive income

	2020 HK\$'000	2019 HK\$'000
Interest on lease liabilities	<u>51,037</u>	<u>42,058</u>
Depreciation	<u>31,082</u>	<u>25,566</u>
Rent concession	<u>5,085</u>	<u>–</u>

Amounts recognised in the consolidated statement of cash flows

	2020 HK\$'000	2019 HK\$'000
Total cash outflow for leases	<u>42,029</u>	<u>14,077</u>

12. FINANCE LEASE RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Analysed as:		
Current	438,765	523,544
Non-current	<u>1,348,274</u>	<u>739,311</u>
At the end of the year	<u>1,787,039</u>	<u>1,262,855</u>

	Minimum lease payments		Present value of minimum lease payments	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Finance lease receivables comprise:				
Within one year	542,618	590,252	438,765	523,544
Over one year but less than two years	502,756	362,137	425,779	324,936
Over two years but less than five years	<u>1,030,475</u>	<u>448,150</u>	<u>939,947</u>	<u>416,288</u>
	2,075,849	1,400,539	1,804,491	1,264,768
Less: Unearned finance income	<u>(271,358)</u>	<u>(135,771)</u>	<u>N/A</u>	<u>N/A</u>
Present value of minimum lease payment receivables	1,804,491	1,264,768	1,804,491	1,264,768
Less: Impairment loss allowance				
– ECL allowance	<u>(17,452)</u>	<u>(1,913)</u>	<u>(17,452)</u>	<u>(1,913)</u>
	<u>1,787,039</u>	<u>1,262,855</u>	<u>1,787,039</u>	<u>1,262,855</u>

Movements of impairment loss allowance on finance lease receivables are as follows:

	2020 HK\$'000	2019 HK\$'000
At 1 January	1,913	934
Impairment losses recognised	14,589	1,009
Exchange difference	<u>950</u>	<u>(30)</u>
At 31 December	<u>17,452</u>	<u>1,913</u>

12. FINANCE LEASE RECEIVABLES (Continued)

All leases are denominated in RMB. The term of finance leases ranged from less than 1 year to 5 years (2019: 1 to 5 years). The effective interest rates of the finance leases ranged from 5.30% to 10.40% per annum (2019: 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.

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

Estimates of fair value of collaterals are made during the credit approval process. These estimates of valuations are made at the inception of finance lease, and generally not updated except when the receivable is individually impaired. When a finance lease receivable is identified as impaired, the corresponding fair value of collateral of that receivable is updated by reference to market value such as recent transaction price of the assets.

Security deposits received from customers as at 31 December 2020 represent finance lease deposits received from customers, which will be repayable by the end of the lease period of the respective finance leases. Deposits of HK\$78,340,000 (2019: HK\$56,874,000) have been received by the Group, in which deposits of HK\$3,207,000 (2019: HK\$13,076,000) 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.

13. 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 impairment loss allowance presented based on invoice dates at the end of the reporting period:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0-60 days	21,429	4,269
61-90 days	894	1,769
91-120 days	838	93
Over 120 days	<u>670</u>	<u>4,853</u>
Trade receivables	23,831	10,984
Other receivables (<i>Note i</i>)	<u>42,754</u>	<u>68,456</u>
	<u><u>66,585</u></u>	<u><u>79,440</u></u>

Note:

- i. It includes deductible value added tax, interest receivables and prepayments.

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

The Group's largest trade receivables balance amounted to HK\$19,712,000 (2019: HK\$9,346,000) at the end of the year. None of the remaining trade receivables balance represented more than 5% of the total trade receivables (2019: None of the remaining trade receivables balance represented more than 5% of the total trade receivables).

At as 31 December 2020, trade receivables over 90 days amounted to HK\$1,508,000 (2019: HK\$4,946,000) were past due but not impaired as the balances were related to debtors with sound repayment history and no recent history of default.

An aging analysis of trade receivables that are past due but not impaired:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
91-120 days	838	93
Over 120 days	<u>670</u>	<u>4,853</u>
	<u><u>1,508</u></u>	<u><u>4,946</u></u>

13. TRADE AND OTHER RECEIVABLES (Continued)

Movements of impairment loss allowance on trade receivables are as follows:

	2020 HK\$'000	2019 HK\$'000
Balance at the beginning of the year	251	256
Provision written back on trade receivables	(15)	(1)
Exchange difference	15	(4)
	<hr/>	<hr/>
Balance at the end of the year	251	251

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited as most of the customers settled the amounts after the reporting date.

As at 31 December 2020, none (2019: Nil) of trade receivable over 120 days was impaired.

The carrying amounts of the other receivables were no past due.

14. TRADE AND OTHER PAYABLES

The credit period granted by the Group's supplier 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:

	2020 HK\$'000	2019 HK\$'000
0-60 days	6,668	1,423
61-90 days	249	4
91-120 days	34	12
Over 120 days	73	3,857
	<hr/>	<hr/>
Trade payables	7,024	5,296
Other payables	87,552	49,206
	<hr/>	<hr/>
	94,576	54,502

14. TRADE AND OTHER PAYABLES (Continued)

Other payables included the following items:

	2020 HK\$'000	2019 HK\$'000
Contract liabilities	4,224	293
Other tax payable	20,671	12,569
Others (<i>Note i</i>)	62,657	36,344
	<u>87,552</u>	<u>49,206</u>

Note:

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

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

15. DEFERRED INCOME

Deferred income represents the government grants received by the subsidiaries incorporated in the PRC in connection with certain constructions and income-generating projects. These grants are held as deferred income and will be recognised in the income statement on a systematic basis to match with the costs or the assets' useful lives related to the government grants received.

16. STEP ACQUISITION FROM AN ASSOCIATE TO A SUBSIDIARY AND DISPOSAL OF AN ASSOCIATE

On 22 June 2020, Foshan City Nanhai Canmanage Investment Holding Limited* ("Nanhai Canmanage"), a subsidiary of the Company, entered into an acquisition agreement with Foshan City Nanhai District Lianhua Asset Operation & Management Co., Ltd.* ("Nanhai Lianhua") in relation to an additional 2% equity interest in Guangdong Tiannuo Investments Co., Ltd. (formerly known as "Guangdong Tiannuo Civil Co., Limited")* ("Tiannuo").

On 24 August 2020, the Group has completed acquisition of additional 2% equity interest in Tiannuo at a cash consideration of RMB6,675,763 (equivalent to approximately HK\$7,501,000) in accordance with the terms of acquisition agreement ("Step-Acquisition"). Upon completion of the acquisition, the shareholding of Nanhai Canmanage in Tiannuo changed from 49% to 51% and the Group obtained control over Tiannuo.

Tiannuo had two wholly-owned subsidiaries established in the PRC, namely Foshan Nanhua Logistics Co., Ltd.* ("佛山南化運輸有限公司") ("Nanhua") and Guangdong Nanhong Chemical Co., Ltd.* ("廣東南虹化工有限公司") ("Nanhong"). They are collectively known as "Tiannuo Group".

* For identification purpose only

16. STEP ACQUISITION FROM AN ASSOCIATE TO A SUBSIDIARY AND DISPOSAL OF AN ASSOCIATE (Continued)

On 24 August 2020, the fair value of the interest in Tiannuo Group held by the Group were estimated by Peak Vision Appraisals Limited (“Peak Vision”), an independent firm of professional qualified valuers, at approximately HK\$183,771,000.

The fair value of the identifiable assets and liabilities of Tiannuo Group as at the date of acquisition were as follows:

	Fair value recognised on the Step Acquisition HK\$’000
Property, plant and equipment	233,720
Right-of-use assets	312
Financial assets at fair value through profit or loss	5,012
Goodwill arising on acquisitions of Nanhong and Nanhua	247
Inventories	6,226
Trade and other receivables*	56,517
Cash and cash equivalents	57,636
Trade payables and other payables**	(65,129)
Lease liabilities	(385)
Deferred income	(1,728)
Deferred tax liabilities	(42,162)
	<hr/>
Total identifiable net assets at fair value	250,266
Goodwill arising on the Step Acquisition	124,777
	<hr/>
Total consideration	<u><u>375,043</u></u>

* Included a loan receivable from the Group of RMB24,000,000 (equivalent to approximately HK\$26,966,000) recognised at the date of acquisition.

** Included a loan payable to the non-controlling interest of RMB51,837,700 (equivalent to approximately HK\$58,245,000) recognised at the date of acquisition.

Reconciliation of total consideration calculated by the above summarised financial information of the fair values of the identifiable assets and liabilities of Tiannuo Group to the fair value of the interest in Tiannuo Group held by the Group:

	HK\$’000
Total consideration	375,043
Proportion of the Group’s previously held ownership interest in Tiannuo group	49%
Fair value of the interest in Tiannuo Group held by the Group	<u><u>183,771</u></u>

16. STEP ACQUISITION FROM AN ASSOCIATE TO A SUBSIDIARY AND DISPOSAL OF AN ASSOCIATE (Continued)

Comparing the fair value on acquisition of 49% of Tiannuo Group with the respective carrying amounts before valuation of approximately HK\$189,438,000, the fair value loss was HK\$5,667,000 and was recognised in “Net loss on step acquisition” on the consolidated statement of profit or loss and other comprehensive income. The exchange reserves of a loss of HK\$5,688,000 was also released from the consolidated statement of changes in equity to the consolidated statement of profit or loss and other comprehensive income and included in “Net loss on step acquisition” upon the Step Acquisition.

Goodwill of HK\$124,777,000 arising from the Step Acquisition was recognised based on the Peak Vision’s valuation. Goodwill arising on the Step Acquisition was as follows:

	<i>HK\$’000</i>
Cash consideration of the additional 2% equity interest in Tiannuo group	7,501
Non-controlling interests	183,771
Fair value of the interest in Tiannuo group held by the Group	183,771
<i>Less:</i> Total identifiable net assets at fair value	<u>(250,266)</u>
Goodwill arising on the Step Acquisition	124,777
Goodwill arising on the Step Acquisition of Nanhong and Nanhua	<u>247</u>
Total goodwill arising on the Step Acquisition	<u><u>125,024</u></u>

The Group recognised non-controlling interests in Tiannuo Group at fair value. It is measured on the basis of its proportionate share in the Tiannuo Group’s total identifiable net assets. None of the goodwill arising from the Step Acquisition is expected to be deductible for tax purpose.

An analysis of the cash flows in respect of the acquisition of Step Acquisition is as follows:

	<i>HK\$’000</i>
Cash consideration of the additional 2% equity interest in Tiannuo Group	(7,501)
Cash and cash equivalents acquired	<u>57,636</u>
Net inflow of cash and cash equivalents included in cash flows from investing activities	<u><u>50,135</u></u>

At the same time, the transaction costs of HK\$215,000 incurred for the Step Acquisition were expensed and included in “Administrative expenses” in the consolidated statement of profit or loss and other comprehensive income.

Upon the completion of the above transactions, Tiannuo Group, the former 49% associates of the Group became non-wholly-owned subsidiaries of the Group.

16. STEP ACQUISITION FROM AN ASSOCIATE TO A SUBSIDIARY AND DISPOSAL OF AN ASSOCIATE (Continued)

Since the Step Acquisition, Tiannuo Group contributed HK\$86,284,000 to the Group's revenue and loss of HK\$3,825,000 to the Group's loss for the year ended 31 December 2020 included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020.

Had the business combination been taken place at 1 January 2020, the revenue and the loss of Tiannuo Group for the year would have been approximately HK\$205,601,000 and HK\$4,194,000 respectively.

17. DISPOSAL OF SUBSIDIARIES AND AN ASSET CLASSIFIED AS HELD FOR SALE

The disposal of CIH Finance Leasing Company Limited, Guangdong Lanhai Ruiyuan Investment Co., Limited* ("廣東瀾海瑞元投資有限公司") and asset classified as held for sale (collectively known as "Disposal Assets") was completed on 31 July 2020.

The net assets of Disposal Assets at the date of disposal were as follows:

	<i>HK\$'000</i>
Asset classified as held for sale	213,299
Cash and cash equivalents	6
Other payables	<u>(2,597)</u>
Net assets of Disposal Assets	210,708
Loss on disposal of subsidiaries and an asset classified as held for sale	(39,177)
Cumulative exchange differences in respect of the net assets of the subsidiaries and an asset classified as held for sale reclassified from reserve to profit or loss on loss of control of the subsidiaries and an asset classified as held for sale	<u>21,231</u>
Total consideration received	<u><u>192,762</u></u>
Net cash inflow arising on disposal of Disposal Assets:	
Cash consideration	154,735
Consideration receivables	38,033
Cash and cash equivalents disposed of	<u>(6)</u>
	<u><u>192,762</u></u>

The loss on the disposal of Disposal Assets was HK\$39,177,000 was included in the loss for the year from continuing operations in the consolidated statement of profit or loss and other comprehensive income.

18. EVENT AFTER REPORTING PERIOD

- (i) With effect from 1 January 2021, Mr. Cheng Weidong has been appointed as an executive director and the deputy managing director of the Company.

Further details of the appointment are set out in the Company's announcement dated 4 January 2021.

- (ii) On 8 January 2021, Canton Greengold Financial Leasing Limited ("Greengold Leasing") entered into a finance lease with a limited liability company incorporated in the PRC, an independent third party, to acquire the ownership of the assets from this company for an aggregate consideration of RMB120,000,000 (equivalent to approximately HK\$143,760,000), which would be leased back to this party for its own use and possession for a term of 5 years.

Further details of the finance lease are set out in the Company's announcement dated 11 January 2021.

- (iii) On 13 January 2021, Guangdong Nanhong entered into two purchase agreements with Hunan Jinneng Technology Co., Ltd.* (湖南金能科技股份有限公司) to purchase main equipment (Contract 1) and other equipment (Contract 2) related to "Industrial explosives production line and line technical modification project (procurement and installation of process equipment)". The contract amount is RMB24,977,000 (equivalent to approximately HK\$29,664,000) (Contract 1) and RMB4,695,000 (equivalent to approximately HK\$5,576,000) (Contract 2). Deposits are RMB2,498,000 (equivalent to approximately HK\$2,967,000) (Contract 1) and RMB497,000 (equivalent to approximately HK\$590,000) (Contract 2) respectively. For both contracts, Nanhong is required to pay 40% of the contract amount within 15 days after signing the contract; after the relevant equipment is shipped to the designated location and the confirmation letter is issued, 55% of the contract amount will be paid; the remaining 5% shall be paid when no quality problem occurred after one year. On January 2021, Nanhong had paid RMB9,991,000 (equivalent to approximately HK\$11,866,000) (Contract 1) and RMB1,878,000 (equivalent to approximately HK\$2,230,000) (Contract 2).

- (iv) On 3 February 2021, Greengold Leasing entered into a finance lease with a limited liability company incorporated in the PRC, an independent third party, to acquire the ownership of the assets from this company for an aggregate consideration of RMB130,000,000 (equivalent to approximately HK\$156,000,000), which would be leased back to this party for its own use and possession for a term of 5 years.

Further details of the finance lease are set out in the Company's announcement dated 3 February 2021.

- (v) On 7 February 2021, Greengold Leasing entered into finance lease with three limited liability companies incorporated in the PRC, all independent third parties, to acquire the ownership of the assets from these companies for an aggregate consideration of RMB27,000,000 (equivalent to approximately HK\$32,400,000), which would be leased back to these parties for their own use and possession for a term of 3 years.

Further details of these finance leases are set out in the Company's announcement dated 9 February 2021.

18. EVENT AFTER REPORTING PERIOD (Continued)

- (vi) On 3 March 2021, Greengold Leasing entered into a finance lease with a limited liability company incorporated in the PRC, an independent third party, to acquire the ownership of the assets from this company for an aggregate consideration of RMB100,000,000 (equivalent to approximately HK\$119,900,000), which would be leased back to this party for its own use and possession for a term of 5 years.

Further details of the finance lease are set out in the Company's announcement dated 4 March 2021.

- (vii) On 22 March 2021, Greengold Leasing entered into a finance lease with a limited liability company incorporated in the PRC, an independent third party, to acquire the ownership of the assets from this company for an aggregate consideration of RMB60,000,000 (equivalent to approximately HK\$71,580,000), which would be leased back to this party for its own use and possession for a term of 5 years.

Further details of the finance lease are set out in the Company's announcement dated 23 March 2021.

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation of the consolidated financial statements.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

Operating income increased by approximately HK\$78,071,000 and HK\$7,028,000 respectively from the growing financial leasing business and big data business, and increased by approximately HK\$86,284,000 due to consolidation of the operating income of Guangdong Tiannuo Investments Co., Ltd. (Formerly known as “Guangdong Tiannuo Civil Explosives Co., Ltd.”) (“Tiannuo”) upon completion of its acquisition by the Group in September 2020. As most of the remaining units of Shantou Commercial Plaza were sold last year, making it very unlikely to derive income from sale of development properties in the year, operating income decreased by approximately HK\$30,378,000. However, the Group still recorded a significant increase of 82.3% in total revenue from continuing operations to HK\$293,555,000 for the year ended 31 December 2020 as a result of the combined effects of the above and other factors.

Despite the increased profit contribution to the Group from the development of financial leasing business mentioned above, the Group saw a significant decline in profit and recorded a net loss of approximately HK\$66,036,000 in the year, representing a turnaround from profit to loss, because the effective period of limitation of the payables for convertible notes which became due in 2007, together with the accrued interest, had lapsed; and one-off income of approximately HK\$78,819,000 were recorded last year, but there is no such gain for this year; and a loss of disposal amounting to approximately HK\$39,177,000 and an impairment loss on other receivables of part of unpaid consideration amounting to HK\$38,033,000 generated in the disposal of 25% interest of Guangdong Financial Leasing Co., Ltd.* (廣東粵科融資租賃有限公司) were recorded in this year. In addition, special gain of approximately HK\$41,015,000 from increase in fair value of financial assets at fair value through profit or loss were recorded last year, while only increase in fair value of financial assets at fair value through profit or loss of approximately HK\$20,094,000 was recorded this year.

FINANCIAL LEASING BUSINESS

While the financial leasing business was faced with challenges and difficulties brought about by the Epidemic, the Group resolutely adhered to its established strategic plans and firmly followed the path of professionalism in the development of green environmental protection business, consistently focusing on municipal environmental protection fields such as solid waste treatment, sewage treatment and biogas power generation. The Group carried out a series of inspections on its existing customers to understand and track the fallout on delayed production resumption and collection of receivables. Corporate customers were basically unaffected by the epidemic and asset quality remained good, without any bad debts so far. In addition, to establish a brand image of professionalism in green environmental protection business, the Group officially renamed Canton Risen Financial Leasing Co., Ltd.*, a subsidiary of the Group with specialty in financial leasing, as Canton Greengold Financial Leasing Ltd.* (廣東綠金融租賃有限公司) (“Greengold Leasing”) on 5 June 2020, fully reflecting its strategic goal of becoming a leading financial leasing company with specialty in environmental protection in China, and the first product under the green debt financial leasing scheme was successfully issued in Beijing Financial Assets Exchange on 8 September 2020. Although China’s economy suffered a blow from the epidemic and the tension of Sino-US relations, and China’s financial leasing industry faced mounting pressure in respect of risks related to bad debts, the Group believes that it will be able to remain committed to professionalism in green environmental protection business, effectively manage relevant risks, improve various business and risk management systems, strengthen post-rental management and achieve solid development results through continuous efforts, as the demand for financial leasing rises and the impact of the financial leasing industry on the economy increases with the diversification of financing models required for China’s economic development, and as the Chinese government continues to step up its support for green finance. In the year, the segment recorded an operating income of approximately HK\$158,602,000 and an operating profit of approximately HK\$81,111,000, representing a significant increase of 96.9% and 128.8% respectively year-on-year. The segment is expected to become one of the Group’s main sources of profit in the future.

PROPERTY INVESTMENTS

The Group's overall rental income from investment properties in the 2020 decreased by 5.8% year-on-year to approximately HK\$9,309,000, mainly because most of the remaining properties of Shantou Commercial Plaza were successfully sold last year, resulting in a reduction in rental area. In addition, to alleviate the hardship suffered by tenants as a result of the epidemic, the Group offered a series of rental reduction measures in the year, leading to a decrease in rental income. Specifically, the overall occupancy rate of China Holdings Building rose to approximately 95.16%, and its rental income increased slightly to approximately HK\$8,390,000 after taking into account the impact of the rental reduction measures. As most of the remaining properties of Shantou Commercial Plaza were sold last year, its rental income decreased by 66.9% year-on-year to approximately HK\$339,000. As for properties in Hong Kong, despite the rental reduction measures offered by the Group, 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, leading to a decrease in rental income by 66.2% year-on-year to approximately HK\$241,000.

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 Industrial Park in Danzao Town, Nanhai District, Foshan City, the PRC, which is designed to house the main and spare production plants, pilot base, research and development centre and ancillary facilities for new energy vehicles. The project was scheduled to be completed and put into operation this year. However, project construction and investment attraction were hindered by the epidemic. The schedules of various construction projects were delayed due to a severe shortage of staff on duty caused by the late return of project workers to work. As such, the completion date of the industrial park is expected to be postponed. The Group will quickly make appropriate adjustments to construction plans and speed up the building and construction of the industrial park, provided that prevention and control measures can be strictly implemented and construction safety and construction quality can be assured. As for investment attraction, although the plans of some enterprises to settle in the industrial park were hampered by the epidemic, the Group overcame difficulties and proceeded with the investment attraction plan for the industrial park in line with the industrial planning of Danzao Town. In May 2020, the Group completed the delivery of a factory building to the first enterprise settling in the industrial park. As at January 2021, the number of enterprises settled reached 3, and the Group is stepping up promotional efforts by adopting a combination of online and offline promotion through various investment attraction means, including planning activities and preparing promotional materials to bring in more people. With the ramp-up in the promotion of Danzao, Nanhai District, Foshan City, as a "hydrogen valley", the industrial park has gradually become buzzing in Nanhai for attracting merchants.

BIG DATA BUSINESS

In the year, the big data business conscientiously implemented prevention and control measures and arrangements for work and production resumption in the face of the sudden Coronavirus (“COVID-19”) outbreak. It placed emphasis on both prevention and control measures as well as business operations, actively carried out business activities, and strived to promote project development and improve technology R&D capabilities, managing to achieve business growth despite the epidemic. In the year, operating income increased by 37.2% year-on-year to approximately HK\$25,909,000, and net profit was approximately HK\$1,907,000, a significant increase of 64.8 times year-on-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. Last year, the Group successfully collaborated with Jiujiang Town to launch the first town-level quality elderly care service project in Nanhai District, and was responsible for investing in and operating Jiujiang Taoyuan Nursing Home. Yet, as the project was still at the start-up investment stage, and the epidemic broke out in 2020, China adopted very stringent prevention and control principles for the elderly business. To implement anti-epidemic measures and ensure quality elderly care services with a commitment to build an apt and warm elderly haven, the Group will further implement standing prevention and control measures as a normal practice to combat the epidemic and successfully protect the lives of the elderly by giving priority to safety consistently. The Group initially suspended admission of new elderly residents, which affected the occupancy rate. As at the end of 2020, the average occupancy rate of nursing beds was only 43%, failing to reach the breakeven point. Accordingly, the Group temporarily waived the operation and management fees from the nursing home, and failed to record any income from the project. However, the Group has already established a good reputation in this area and built the Taoyuan elderly care brand in full swing will be conducive to pushing forward the development of the wellness elderly care segment. On another front, the epidemic also affected the Smart Elderly Care Services Platform and disrupted the promotion of elderly care services platform and the development of platform-based value-added services such as referral of home elderly care services and assistance and quality supervision. As a result of the combined effects of the above factors, overall operating income decreased by 70.7% year-on-year to approximately HK\$2,307,000, and a small operating loss of approximately HK\$2,979,000 was recorded, a decrease of 2.4% in loss year-on-year.

HOTEL BUSINESS

The tourism service industry was hard hit by COVID-19 and experienced a challenging and unusual year in 2020. Guilin Plaza (“Guilin Plaza”) felt the pinch of the epidemic outbreak in early 2020 with the closure of scenic spots and hotels in Guilin, cancellation of tour groups and temporary stagnation of the tourism market. As a result, the hotel room sales business was suspended until late March 2020. Even when it resumed business, the tourism market recovered slowly, and recovery of tourists from foreign markets was especially difficult, with most of the tourists coming from domestic markets. The hotel flexibly adjusted its customer mix through adopting flexible strategies, but its income was still deeply dented with an unsatisfactory occupancy rate. The average occupancy rate decreased by 15.62% year-on-year to 44.19%. The average room rate also dropped by approximately 10.81% year-on-year. The operating income decreased significantly by 24.6% year-on-year to approximately HK\$10,197,000, and the operating loss widened by 43.5% year-on-year to approximately HK\$7,898,000. It is expected that the revenue and operating results of Guilin Plaza will remain pessimistic in 2021.

As the epidemic severely shocked business in the home-stay lodging industry, China Select Small Hotel Union Limited, a 51%-owned subsidiary of the Group, experienced continued operating difficulties. On 1 July 2020, it decided to terminate its business and initiated the liquidation procedures.

CIVIL EXPLOSIVES BUSINESS

The Group has engaged in the operation and management of civil explosives business and gradually accumulated relevant experience through Tiannuo, a 49%-owned associate, since 2018. In order to further expand its footprint in civil explosives business, the Group entered into an agreement on 22 June 2020 to further acquire an additional 2% equity interest in Tiannuo completed such transaction 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. Tiannuo contributed a gain of HK\$663,000 to the Group this year. In addition, it contributed attributable gain of approximately HK\$181,000 to the Group before the acquisition transaction was completed.

Although Tiannuo is currently affected by the on-going technological modification project, causing temporary suspension of some production lines and a decline in sales volume, which puts a strain on its profitability in 2021, 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

The outbreak of the epidemic at the beginning of the year not only affected the resumption of work and production, but also continuously affected the Chinese and global economies. Consequentially, Nanhai Changhai Power Company Limited* (南海長海發電有限公司), a 31.875%-owned associate of the Group, saw a decline in operating performance with an operating profit of approximately HK\$212,982,000, weighed down by dampened customer demands and affected by the on-going technological modification project. It contributed profit of approximately HK\$67,716,000 to the Group, representing a year-on-year decrease of 7.9%.

FINANCIAL POSITION AND ANALYSIS

As at 31 December 2020, the Group had total assets of HK\$6,105,371,000 (31 December 2019: HK\$5,147,666,000), total liabilities of HK\$4,117,039,000 (31 December 2019: HK\$3,441,696,000), a gearing ratio (being total liabilities divided by total assets) of 67.4% (31 December 2019: 66.9%), net assets of HK\$1,988,332,000 (31 December 2019: HK\$1,705,970,000), and equity attributable to owners of the Company per share of HK66.83 cents (31 December 2019: HK64.54 cents).

The Group had net current liabilities of HK\$66,332,000 (31 December 2019: net current assets of HK\$505,514,000), a current ratio (being current assets divided by the current liabilities) approximately 0.95 times (31 December 2019: 1.36 times). The Board believes that net current liabilities is attributable to the obligations under borrowings — due within one year of approximately HK\$690,935,000 (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\$798,263,000 (31 December 2019: HK\$1,028,396,000), are sufficient for capital requirements for future operation and new projects or business development of the Group.

PLEDGE OF ASSETS

As at 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 as the security for the bank borrowings granted to the Group (31 December 2019: 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\$1,906,513,000 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\$6,127,000 in the Group's loss 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 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 this year, stimulating the appreciation of RMB, which not only reversed the deteriorating situation of exchange loss of approximately HK\$5,194,000 due to the sharp depreciation of the exchange rate of RMB against USD during the same period of last year arising from the Sino-US trade war, but also generated exchange gain of approximately HK\$17,308,000. Therefore, the Board believes that RMB will be immensely affected by the Sino-US trade war 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 global economic uncertainty brought about by the epidemic, as China's economy begins to recover after bringing the epidemic under control, the Group will proactively adjust its strategies to seize opportunities arising from the market recovery. With experience accumulated during the course of transformation and upgrade over past years, the Group will strive to enhance its business activities in response to market changes, shifting its development focus to segments such as industrial parks and property investment, financial leasing, big data, 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, so that the industrial park will be put into full operation as soon as possible and generate revenue for the Group. In respect of the financial leasing sector, in light of the overcast of Sino-US trade war and tension and the impact of the epidemic outbreak, 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. In respect of the big data 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, enhance independent research and development capabilities, improve research and development efficiency, and strive to create key products meeting market demands as a main driver to our profit growth in the future. In the wellness elderly care sector, the Group gives priority to the safety of the elderly, prudently yet vigorously promotes business development while properly carrying out various epidemic prevention tasks, and establishes a good reputation. The Group also spares no effort to build the Taoyuan elderly care brand, and continues to head toward the direction of developing a three-tier elderly care system comprising institutions, communities and households in Nanhai District, after taking over the operation of the welfare centre of Nanhai District in the future. In the civil explosives sector, the Group has engaged in the operation and management of civil explosives business and gradually accumulated substantial experience through Tiannuo, a 49%-owned associate, and further completed the acquisition of Tiannuo to make it a non-wholly-owned subsidiary of the Group. Through technical upgrading of production lines and release of excessive mixed assembly production capacity, the Group will improve its future performance, strengthen its profit base and develop domestic civil explosives business. 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 527 (31 December 2019: 197). 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.

DIVIDEND

The Directors resolved not to recommend or declare payment of any dividend for the year ended 31 December 2020 (2019: Nil).

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

During the year ended 31 December 2020, 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 year ended 31 December 2020, 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.

During the year, the chairman of the Board has been Mr. He Xiangming and the managing director of the Company was Mr. Lin Pingwu until his resignation on 5 September 2020. On the same date, Mr. He Xiangming has been appointed as the managing director of the Company.

Following the resignation of Mr. Lin Pingwu as the managing director of the Company, Mr. He Xiangming, the Company's chairman, has also assumed the role as the managing director of the Company temporarily. 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 year ended 31 December 2020, 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 year ended 31 December 2020.

SCOPE OF WORK OF HLM CPA LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Group’s auditor, HLM CPA Limited to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by HLM CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLM CPA Limited on this announcement.

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

Hong Kong, 30 March 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.

* For identification purpose only