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 2018

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 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*4*	**22,576**	6,985
Cost of sales and services		**(11,549)**	(3,412)
Gross profit		**11,027**	3,573
Other operating income	*6*	**11,394**	8,647
Selling and distribution costs		**(21)**	(125)
Administrative expenses		**(26,422)**	(23,789)
Share of profit of associates		**40,302**	36,983
Finance costs	*7*	**(39,853)**	(11,640)
(Loss)/profit before taxation		**(3,573)**	13,649
Income tax expenses	*8*	**(4,251)**	(2,029)
(Loss)/profit for the period	*9*	**(7,824)**	11,620

* *For identification purpose only*

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

For the six months ended 30 June 2018

	Notes	**Six months ended 30 June** **2018** ***HK$'000*** **(unaudited)**	2017 *HK$'000* (unaudited)
Other comprehensive (expense)/income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(5,137)**	(91)
Share of exchange difference of associates		**(9,887)**	19,795
Other comprehensive (expense)/income for the period, net of income tax		**(15,024)**	19,704
Total comprehensive (expense)/income for the period		**(22,848)**	31,324
(Loss)/profit for the period attributable to:			
Owners of the Company		**(7,469)**	12,272
Non-controlling interests	*18*	**(355)**	(652)
		(7,824)	11,620
Total comprehensive (expense)/income for the period attributable to:			
Owners of the Company		**(22,634)**	31,988
Non-controlling interests	*18*	**(214)**	(664)
		(22,848)	31,324
(Loss)/earnings per share	*11*		
Basic		**(HK0.44 cent)**	HK0.72 cent
Diluted		**(HK0.44 cent)**	HK0.72 cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	**30 June 2018** **HK$'000** **(unaudited)**	31 December 2017 HK$'000 (audited)
Non-current assets			
Investment properties		**229,749**	232,525
Property, plant and equipment		**281,275**	283,080
Interests in associates	*12*	**679,948**	745,571
Financial assets at fair value through profit or loss	*13*	**9,052**	9,172
Finance lease receivables	*14*	**113,495**	–
		1,313,519	1,270,348
Current assets			
Properties held for sale		**42,558**	47,820
Inventories		**431**	494
Finance lease receivables	*14*	**30,048**	–
Trade and other receivables	*15*	**12,103**	7,926
Financial assets at fair value through profit or loss	*13*	**47,393**	–
Deposit for capital contribution to a potential associate		**77,212**	–
Pledged bank deposit		**68,878**	63,963
Cash and cash equivalents		**874,323**	886,861
		1,152,946	1,007,064
Current liabilities			
Trade and other payables	*16*	**122,113**	130,852
Tax payables		**9,041**	7,137
Borrowings	*17*	**606,173**	624,298
		737,327	762,287

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2018

	Notes	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Net current assets		**415,619**	244,777
Total assets less current liabilities		**1,729,138**	1,515,125
Capital and reserves			
Share capital		**171,233**	171,233
Reserves		**826,367**	849,001
Equity attributable to owners of the Company		**997,600**	1,020,234
Non-controlling interests	*18*	**217,648**	157,625
Total equity		**1,215,248**	1,177,859
Non-current liabilities			
Borrowings	*17*	**360,781**	185,965
Convertible notes		**145,110**	135,586
Deferred tax liabilities		**7,999**	15,715
		513,890	337,266
		1,729,138	1,515,125

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

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 ("HKAS 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 or revalued amounts, 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 2017.

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. PRINCIPAL ACCOUNTING POLICIES AND APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Except for the adoption of the new and 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 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HKAS 28 (Amendments)	As part of the Annual Improvements HKFRSs 2014-2016 Cycle
HKAS 40 (Amendments)	Transfers of Investment Property
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

The adoption of the new and revised HKFRSs has had no material effect on the condensed consolidated financial statements of the Group 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.

HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation[1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 16	Lease[1]
HKFRS 17	Insurance Contracts[2]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015-2017 Cycle[1]
HKAS 19 (Amendments)	Employee Benefits[1]
HKAS 28 (Amendments)	Long-term Interest in Associate and Joint Ventures[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]

Notes:

1 *Effective for annual periods beginning on or after 1 January 2019.*

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

3 *Effective date to be determined.*

3. SUMMARY OF EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The nature and the impact of the changes are described below:

HKFRS 9 Financial Instruments

HKFRS 9 Financial Instruments replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The impacts relate to the classification and measurement and the impairment requirements are summarised as follows:

(i) Classification and measurement

Except for trade and other receivables and cash and cash equivalents, under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss or amortised cost. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "SPPI criterion").

The new classification and measurement of the Group's financial assets are as follows:

– Debt instruments at amortised cost that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion.

– Financial assets at fair value through profit or loss include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The assessment of the Group's business models was made as of the date of initial application on 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

3. SUMMARY OF EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (Continued)

HKFRS 9 Financial Instruments (Continued)

(i) Classification and measurement (Continued)

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in profit or loss.

Under HKFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business models. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by HKAS 39.

The following table illustrates the classification of financial assets under HKFRS 9 and HKAS 39 at the date of initial application on 1 January 2018.

Analysis of financial assets items

HK$'000	**Original classification under HKAS 39**	**Original carrying amount under HKAS 39**	**New classification under HKFRS 9**	**New carrying amount under HKFRS 9**
Financial assets				
Financial asset at fair value through profit or loss	Available-for-sale finance asset at cost	9,172	Fair value through profit or loss	9,172
Cash and cash equivalents	Loans and receivables	886,861	At amortised cost	886,861
Pledged bank deposit	Loans and receivables	63,963	At amortised cost	63,963
Trade and other receivables	Loans and receivables	1,302	At amortised cost	1,302
Total financial assets		961,298		961,298

3. SUMMARY OF EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (Continued)

HKFRS 9 Financial Instruments (Continued)

(ii) Impairment

HKFRS 9 requires an impairment on trades receivables, contract assets, other receivables and amounts due from joint ventures and associates that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group applied the simplified approach and recorded lifetime expected losses on its trade receivables and contract assets. The Group applied general approach and recorded twelve month expected losses on its other receivables and amounts due from joint venture and associates. The adoption of HKFRS 9 has had no significant impact on the impairment of the financial assets of the Group.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method which allows the Group to recognise the cumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at 1 January 2018. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, thus the comparative figures have not been restated.

3. SUMMARY OF EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

Revenue recognition

Revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

4. REVENUE

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

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Food and beverage	**3**	527
Service income from hotel operation	**2,903**	557
Rental income from hotel property	**2,363**	1,030
Rental income from investment properties and properties held for sale	**3,234**	3,044
Consultancy service income from financial leasing	**1,483**	–
Interest income from financial leasing	**307**	–
Sales of properties	**10,802**	1,827
Service income from Wellness elderly care business	**1,481**	–
	22,576	6,985

5. SEGMENT INFORMATION

For management purposes, the Group is currently organized into four operating divisions – 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:

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 and properties held for sale
Wellness elderly care business	–	comprehensive elderly care services

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

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**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Financial leasing	**1,790**	–	**(508)**	–
Hotel operation	**5,269**	2,114	**(2,903)**	(10,428)
Property investments	**14,036**	4,871	**4,586**	90
Wellness elderly care business	**1,481**	–	**(884)**	–
Total	**22,576**	6,985	**291**	(10,338)
Bank interest income			**4,516**	1,905
Interest income from financial asset at fair value through profit or loss			**586**	–
Professional fees			**(2,606)**	(359)
Net central administration costs			**(10,251)**	(9,554)
Net exchange gain			**3,442**	6,652
Share of profit of associates			**40,302**	36,983
Finance costs			**(39,853)**	(11,640)
(Loss)/profit before taxation			**(3,573)**	13,649
Income tax expenses			**(4,251)**	(2,029)
(Loss)/profit for the period			**(7,824)**	11,620

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 2017: Nil).

Segment result represents the profit/(loss) generated by each segment without allocation of bank interest income, financial asset at fair value through profit or loss, professional fees, net central administration costs, net exchange gain, share of profit of associates and finance costs. This is the measure reported to the Group's management for the purposes of resource allocation and performance assessment.

5. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Segment assets		
Financial leasing	**144,553**	–
Hotel operation	**157,928**	160,802
Property investments	**283,696**	292,463
Wellness elderly care business	**779**	550
Total segment assets	**586,956**	453,815
Pledged bank deposit	**68,878**	63,963
Deposit for capital contribution of a potential associate	**77,212**	–
Cash and cash equivalents	**874,323**	886,861
Interests in associates	**679,948**	745,571
Financial assets at fair value through profit or loss	**56,445**	9,172
Unallocated assets	**122,703**	118,030
Consolidated assets	**2,466,465**	2,277,412
Segment liabilities		
Financial leasing	**108,663**	–
Hotel operation	**9,127**	14,837
Property investments	**189,733**	108,475
Wellness elderly care business	**571**	2,380
Total segment liabilities	**308,094**	125,692
Convertible notes	**223,931**	214,407
Borrowings	**684,324**	702,293
Unallocated liabilities	**34,868**	57,161
Consolidated liabilities	**1,251,217**	1,099,553

5. SEGMENT INFORMATION (Continued)

Other segment information

For the six months ended 30 June 2018

	Financial leasing *HK$'000* **(unaudited)**	**Hotel operation** *HK$'000* **(unaudited)**	**Property investments** *HK$'000* **(unaudited)**	**Wellness elderly care business** *HK$'000* **(unaudited)**	**Total** *HK$'000* **(unaudited)**
Depreciation	**4**	**3,031**	**2,097**	**6**	**5,138**
Additions to property, plant and equipment	**563**	**345**	**3,924**	**–**	**4,832**
Gain on disposal of property, plant and equipment	**–**	**(30)**	**–**	**–**	**(30)**

For the six months ended 30 June 2017

	Financial leasing *HK$'000* (unaudited)	Hotel operation *HK$'000* (unaudited)	Property investments *HK$'000* (unaudited)	Wellness elderly care business *HK$'000* (unaudited)	Total *HK$'000* (unaudited)
Depreciation	–	2,767	875	–	3,642
Additions to property, plant and equipment	–	12,634	624	–	13,258
Loss on disposal of property, plant and equipment	–	1,406	–	–	1,406

5. SEGMENT INFORMATION (Continued)

Geographic segments

The Group's 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 operations 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***	
	Six months ended 30 June		**30 June**	**31 December**
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(audited)
The PRC	**22,268**	6,269	**373,000**	378,902
Hong Kong	**308**	716	**19,512**	19,512
	22,576	6,985	**392,512**	398,414

* *Non-current assets exclude interest in associates, financial assets at fair value through profit or loss, finance lease receivable and unallocated non-current asset.*

6. OTHER OPERATING INCOME

Other operating income included the following items:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Bank interest income	**4,516**	1,905
Interest income from financial assets at fair value through profit or loss	**586**	–
Net exchange gain	**3,442**	6,652

7. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loan arrangement fee	**14,345**	–
Interest on:		
Convertible notes	**9,524**	8,506
Bank loans	**12,787**	3,015
Loan from immediate holding company	**1,326**	–
Loan from an associate	**760**	119
Other loans	**1,111**	–
	39,853	11,640

8. INCOME TAX EXPENSES

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Tax charges comprise:		
Current tax:		
Provision for PRC Enterprise Income Tax	**11,680**	–
Deferred tax:		
Temporary differences (reversed) arising in current period	**(7,429)**	2,029
	4,251	2,029

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 2018 (six months ended 30 June 2017: Nil). PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both periods.

9. (LOSS)/PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss)/profit for the period has been arrived at after crediting/(charging):		
Depreciation of property, plant and equipment	**(5,722)**	(5,260)
Auditor's remuneration	**(600)**	(500)
Gain/(loss) on disposal of property, plant and equipment	**139**	(1,305)
Cost of properties held for sale disposed of during the period	**(5,262)**	(666)
Net exchange gain	**3,442**	6,652
Finance cost	**(39,853)**	(11,640)
Total staff costs		
Director's emoluments	**(1,906)**	(1,862)
Other staff costs	**(6,173)**	(5,392)
Retirement benefit schemes contributions for other staffs	**(442)**	(98)
Termination benefits	**(183)**	(2,789)
	(8,704)	(10,141)
Gross rental income from investment properties	**3,234**	3,044
Less: Direct operating expenses from investment properties that generated rental income during the period	**–**	(12)
Direct operating expenses from investment properties that did not generated rental income during the period	**(212)**	(190)
	3,022	2,842

10. DIVIDEND

The Board does not declare an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

11. (LOSS)/EARNINGS PER SHARE

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$7,469,000 (six months ended 30 June 2017: profit of HK$12,272,000) and on the number of 1,712,329,142 ordinary share (six months ended 30 June 2017: 1,712,329,142 ordinary shares) in issue during the period.

Number of shares

	Six months ended 30 June	
	2018	2017
	'000	*'000*
	(unaudited)	(unaudited)
Number of ordinary shares for the purpose of basic and diluted earnings per share	**1,712,329**	1,712,329

For the six months ended 30 June 2018 and 2017, there was no diluting event as the exercise of the convertible bonds would have an anti-dilutive effect on the basic (loss)/earnings per share, therefore the basic and diluted (loss)/earning per share are the same.

12. INTERESTS IN ASSOCIATES

Details of the Group's interests in associates are as follows:

	Guangdong Financial Leasing Co., Ltd 30 June 2018 *HK$'000* (unaudited)	**Nanhai Changhai Power Company Limited 30 June 2018 *HK$'000* (unaudited)**	**Total 30 June 2018 *HK$'000* (unaudited)**	Total 31 December 2017 *HK$'000* (audited)
Initial cost of investments in associates				
Unlisted	**191,977**	**485,042**	**677,019**	677,019
Less: Distribution from pre-acquisition profit	**–**	**(143,562)**	**(143,562)**	(143,562)
	191,977	**341,480**	**533,457**	533,457
Share of post-acquisition profits	**65,987**	**211,232**	**277,219**	236,917
Distribution from post-acquisition profit	**–**	**(96,038)**	**(96,038)**	–
Share of exchange differences	**(9,171)**	**(25,519)**	**(34,690)**	(24,803)
	248,793	**431,155**	**679,948**	745,571

Details of each of the Group's material associates at the end of the reporting period are as follows:

Entity name	**Form of the entity**	**Place of incorporation**	**Principal place of operation**	**Class of shares held**	**Proportion of ownership interest held by the Group**	**Proportion of voting rights held by the Group**	**Principal activities**
Guangdong Financial Leasing Co., Ltd	Incorporated	the PRC	the PRC	Ordinary	25%	25%	Finance leasing business and related advisory and guarantee services
Nanhai Changhai Power Company Limited	Incorporated	the PRC	the PRC	Ordinary	32.636%	32.636%	Generation and sale of electricity and heated steam

12. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

All of these associates are accounted for using the equity method in the condensed consolidated financial statements.

Guangdong Financial Leasing Co., Ltd

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Current assets	**2,731,556**	2,078,057
Non-current assets	**2,988,254**	2,739,712
Current liabilities	**(1,951,267)**	(1,201,146)
Non-current liabilities	**(2,591,545)**	(2,478,007)
Net assets	**1,176,998**	1,138,616

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Revenue	**193,830**	119,126
Profit for the period	**43,773**	35,640
Exchange differences for the period	**(13,814)**	25,937
Total comprehensive income for the period	**29,959**	61,577

12. INTERESTS IN ASSOCIATES (Continued)

Guangdong Financial Leasing Co., Ltd (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the condensed consolidated financial statements:

	30 June 2018 *HK$'000* (unaudited)	31 December 2017 *HK$'000* (audited)
Net assets of the associate	**1,176,998**	1,138,616
Non-controlling interest of the associate's subsidiary	**(181,827)**	(173,404)
	995,171	965,212
Proportion of the Group's ownership interest in Guangdong Financial Leasing Co., Ltd	**25%**	25%
Carrying amount of the Group's interest in Guangdong Financial Leasing Co., Ltd	**248,793**	241,303

Nanhai Changhai Power Company Limited

	30 June 2018 *HK$'000* (unaudited)	31 December 2017 *HK$'000* (audited)
Current assets	**999,203**	978,943
Non-current assets	**816,730**	879,475
Current liabilities	**(494,832)**	(313,290)
Net assets	**1,321,101**	1,545,128

12. INTERESTS IN ASSOCIATES (Continued)

Nanhai Changhai Power Company Limited (Continued)

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Revenue	**697,372**	574,312
Profit for the period	**89,958**	86,018
Exchange difference for the period	**(19,713)**	40,786
Total comprehensive income for the period	**70,245**	126,804

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the condensed consolidated financial statements:

	30 June	31 December
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Net assets of the associate	**1,321,101**	1,545,128
Proportion of the Group's ownership interest in Nanhai Changhai Power Company Limited	**32.636%**	32.636%
Carrying amount of the Group's interest in Nanhai Changhai Power Company Limited	**431,155**	**504,268**

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Equity investments in the PRC – non-current *(Note a)*	**9,052**	9,172
Other unlisted investments – current *(Note b)*	**47,393**	–
	56,445	9,172

Notes:

(a) As at 30 June 2018, the fair value of the equity investments representing investments in equity securities issued by private entities in the PRC was approximately HK$9,052,000 as valued by the Directors. The Directors considered that the carrying amounts approximate their fair value. (As at 31 December 2017, the investment was classified as available for sale financial asset at cost less impairment of approximately HK$9,172,000).

(b) The unlisted investments represent wealth management products launched by a financial institution in the PRC were acquired during the period ended 30 June 2018. The fair value was approximately HK$47,393,000 as valued by the Directors. The Directors considered that the carrying amounts approximate their fair value.

14. FINANCE LEASE RECEIVABLES

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Analysed as:		
Current	**30,048**	–
Non-current	**113,495**	–
	143,543	–

14. FINANCE LEASE RECEIVABLES (Continued)

	Minimum lease payments *HK$'000* (unaudited)	Present value of lease payments *HK$'000* (unaudited)
Finance lease receivables comprise:		
Within one year	37,142	30,048
More than one year but not more than two years	69,932	64,206
More than two years but not more than five years	53,008	49,289
	160,082	143,543
Less: unearned finance lease interest income	(16,539)	N/A
Present value of minimum lease payment receivables	143,543	143,543

All leases are denominated in RMB. The term of finance lease ranged from 2 to 5 years. The effective interest rates of the finance leases as at 30 June 2018 ranged from 5.3% to 7.3% 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 leased, as at 30 June 2018. The Group is not permitted to sell, or repledge the collateral of the finance lease receivables without consent from the lessee in the absence of default by the lessee.

Estimates of fair value of the 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 30 June 2018 represent finance lease deposits received from customers which are repayable by end of the lease period of the respective finance leases. Deposits of HK$4,727,000 have been received by the Group to secure certain finance lease receivables and are classified as current liabilities based on the final lease instalment due date stipulated in the finance lease agreements. The deposits are non-interest bearing.

The finance lease receivables at the end of the reporting period are neither past due nor impaired.

15. 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 receivables after deducting the allowance for doubtful debts presented based on invoice date at the end of the reporting period:

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 60 days	**788**	799
61 – 90 days	**1**	163
91 – 120 days	**24**	51
Over 120 days	**404**	79
Trade receivables	**1,217**	1,092
Other receivables	**10,886**	6,834
	12,103	7,926

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

16. 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 by age based on the invoice date at the end of the reporting period:

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 60 days	**106**	615
61 – 90 days	**3**	302
91 – 120 days	**–**	–
Over 120 days	**497**	89
Trade payables	**606**	1,006
Other payables	**121,507**	129,846
	122,113	130,852

Other payables included the following items:

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Other tax payable	**10,921**	11,412
Payable on convertible notes and interest payable *(Note 1)*	**78,819**	78,819
Others *(Note 2)*	**31,767**	39,615
	121,507	129,846

16. TRADE AND OTHER PAYABLES (Continued)

Notes:

1. On 9 May 2002, the Group issued HK$230,000,000 convertible notes (the "2002 CB") which were due on 9 May 2007 (the "Maturity Date"), bearing interest at 1% per annum and in units of HK$1,000,000 each. As at 30 June 2018 and 31 December 2017, the balance of HK$75,000,000 2002 CB were due but not converted. Such principal monies together with all interest accrued thereon up to Maturity Date, amounting to HK$3,819,000 (31 December 2017: HK$3,819,000), were reclassified as other payables and are repayable on demand.

2. Others include accrued staff salaries and welfare, interest payable, deposit received from hotel customers, finance lease and other temporary receipts.

The Directors considered that the carrying amount of trade and other payables approximates to their fair value. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

17. BORROWINGS

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Bank loans	**794,016**	680,647
Loan from an associate	**–**	39,616
Loan from immediate holding company	**90,000**	90,000
Other loans	**82,938**	–
	966,954	810,263
Secured	**794,016**	680,647
Unsecured	**172,938**	129,616
	966,954	810,263

17. BORROWINGS (Continued)

	30 June 2018	31 December 2017
	HK\$'000	*HK\$'000*
	(unaudited)	(audited)
Carrying amount of the above borrowings are repayable:		
Within one year	**606,173**	624,298
More than one year, but not exceeding two years	**109,597**	24,010
More than two years, but not more than five years	**224,597**	126,014
More than five years	**26,587**	35,941
	966,954	810,263
Less: Amounts shown under current liabilities	**606,173**	624,298
	360,781	185,965

During the period, the Group settled the bank loans amounting to HK$47,417,000.

On 12 April 2017, the Group obtained a short-term loan amounting to RMB33,000,000 from the Group's associate, Nanhai Changhai Power Company Limited, is unsecured with a fixed interest rate at 2.6% per annum and repayable on demand. The loan was fully settled during the current period.

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 with a fixed interest rate at 3% per annum.

On 6 December 2017, the Group obtained a loan facility from a bank of approximately USD110,090,000 for which a controlling shareholder has provided the necessary corporate guarantee. As at 30 June 2018, the Group had drawn down an amount of USD70,00,000 (31 December 2017: USD70,000,000).

On March 2018, the Group obtained two-year loans amounting to HK$82,938,000 from the Group's independent third parties, which were unsecured with a floating interest rate plus a premium calculated at 10% above the prevailing RMB benchmark rate published by The People's Bank of China.

According to HK Int 5 which requires the classification of whole instalment loans containing the repayment on demand clause as current liabilities, the aggregate carrying amounts of HK$594,325,000 (31 December 2017: HK$572,677,000) have been reclassified from non-current liabilities to current liabilities as at 30 June 2018.

17. BORROWINGS (Continued)

Bank loans of HK$794,016,000 (31 December 2017: HK$680,647,000) are secured by the Group's investment properties and property, plant and equipment of approximately HK$318,863,000 (31 December 2017: HK$323,697,000) which are situated at Block 1 of Guangdong-Hongkong Finance & Technology Park, 6 Jinke Road, Guicheng Street, Nanhai District, Foshan City, Guangdong Province, the PRC and Unit 01, 14 and 15 on 5th Floor, Wing On Plaza, No. 62 Mody Road, Kowloon, Hong Kong and a pledged deposit amounting to HK$68,878,000 (31 December 2017: HK$63,963,000). The weighted average effective interest rates on the bank loans range from 1.95% to 4.9% (31 December 2017: from 2.03% to 6.15%) per annum and are repayable within ten years.

The fair values of current borrowings equal their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate from 1.95% to 4.9% (31 December 2017: from 2.03% to 6.15%) and are within Level 2 of the fair value hierarchy.

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

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Hong Kong Dollars	**135,232**	115,851
Renminbi	**282,629**	147,586
United States Dollars	**549,093**	546,826
	966,954	810,263

18. NON-CONTROLLING INTERESTS

The table below shows details of the non-wholly-owned subsidiaries of the Company that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests held by non-controlling interests		Proportion of voting rights held by non-controlling interests		Loss and other comprehensive expenses attributable to non-controlling interests		Accumulated non-controlling interests	
		2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
						HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
						(unaudited)	(unaudited)	**(unaudited)**	(audited)
Guangdong Yibaijian Comprehensive Health Technology Ltd* 廣東壹佰健大健康科技有限公司	PRC	**30%**	30%	**30%**	30%	**(252)**	(185)	**(799)**	(547)
Guangdong Sino Rock Tyco Construction Co., Ltd* 廣東中岩泰科建設有限公司	PRC	**20%**	20%	**20%**	20%	**(16)**	–	**214,178**	153,675
China Select Small Hotel Union Limited 興業民宿互助社有限公司	Hong Kong	**49%**	49%	**49%**	49%	**(204)**	–	**3,396**	3,600

* *For identification purposes only*

Summarised financial information in respect of the Group's subsidiaries that has a material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Guangdong Yibaijian Comprehensive Health Technology Ltd ("Yibaijian")

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Current assets	**3,411**	5,649
Non-current assets	**26**	33
Current liabilities	**(571)**	(1,904)
Equity attributable to owners of the Company	**3,665**	4,325
Non-controlling interests	**(799)**	(547)

18. NON-CONTROLLING INTERESTS (Continued)

Guangdong Yibaijian Comprehensive Health Technology Ltd ("Yibaijian") (Continued)

	30 June 2018	30 June 2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the period	**(896)**	(606)
Loss for the period attributable to:		
Owners of the Company	**(627)**	(424)
Non-controlling interests of Yibaijian	**(269)**	(182)
	(896)	(606)
Other comprehensive income/(expense), net of income tax:		
Exchanges differences arising on translation of foreign operations:		
Owners of the Company	**(33)**	(8)
Non-controlling interests of Yibaijian	**17**	(3)
	(16)	(11)
Loss and total comprehensive expense attributable to:		
Owners of the Company	**(660)**	(432)
Non-controlling interests of Yibaijian	**(252)**	(185)
	(912)	(617)
Net cash outflow from operating activities	**(2,883)**	(3,493)
Net cash inflow/(outflow) from investing activities	**7**	(21)
Net cash inflow from financing activities	**–**	5,524
Net cash (outflow)/inflow	**(2,876)**	2,010

18. NON-CONTROLLING INTERESTS (Continued)

Guangdong Sino Rock Tyco Construction Co., Ltd ("Sino Rock")

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Current assets	**755,078**	700,500
Non-current assets	**353**	–
Current liabilities	**(123)**	(78)
Equity attributable to owners of the Company	**541,130**	546,747
Non-controlling interests	**214,178**	153,675

	30 June 2018	30 June 2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the period	**(165)**	–
Loss for the period attributable to:		
Owners of the Company	**(132)**	–
Non-controlling interests of Sino Rock	**(33)**	–
	(165)	–
Other comprehensive income/(expense), net of income tax:		
Exchanges differences arising on translation of foreign operations:		
Owners of the Company	**(6,946)**	–
Non-controlling interests of Sino Rock	**17**	–
	(6,929)	–

18. NON-CONTROLLING INTERESTS (Continued)

Guangdong Sino Rock Tyco Construction Co., Ltd ("Sino Rock") (Continued)

	30 June 2018	30 June 2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss and comprehensive expense attributable to:		
Owners of the Company	**(7,078)**	–
Non-controlling interests of Sino Rock	**(16)**	–
	(7,094)	–
Net cash outflow from operating activities	**(15,788)**	–
Net cash inflow from investing activities	**108,841**	–
Net cash inflow from financing activities	**63,981**	–
Net cash inflow	**157,034**	–

China Select Small Hotel Union Limited ("China Select Small")

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Current assets	**9,424**	9,720
Current liabilities	**(254)**	–
Equity attributable to owners of the Company	**5,774**	6,120
Non-controlling interests	**3,396**	3,600

18. NON-CONTROLLING INTERESTS (Continued)

China Select Small Hotel Union Limited ("China Select Small") (Continued)

	30 June 2018 HK$'000 (unaudited)	30 June 2017 HK$'000 (unaudited)
Loss for the period	**(108)**	–
Loss for the period attributable to:		
Owners of the Company	**(68)**	–
Non-controlling interests of China Select Small	**(40)**	–
	(108)	–
Other comprehensive expense, net of income tax:		
Exchanges differences arising on translation of foreign operations:		
Owners of the Company	**(279)**	–
Non-controlling interests of China Select Small	**(164)**	–
	(443)	–
Loss and total comprehensive expense attributable to:		
Owners of the Company	**(347)**	–
Non-controlling interests of China Select Small	**(204)**	–
	(551)	–
Net cash outflow from operating activities	**(263)**	–
Net cash inflow from investing activities	**1**	–
Net cash outflow	**(262)**	–

19. EVENT AFTER REPORTING PERIOD

Reference is made to the circular of the Group dated 9 May 2018 in relation to the proposed disposal of 25% equity interest in Guangdong Financial Leasing Co., Ltd* (廣東粵科融資租賃有限公司) held by the Group. The Board of directors of the Company has resolved to resubmit for the shareholders' approval the disposal of 20% out of the 25% held by the Group which will be carried out through the public tender process of the Guangdong United Assets and Equity Exchange ("GDUAEE") in accordance with the laws in the PRC, subject to the requisite approval being obtained from the shareholders of the Company under the Listing Rules. The Group has been notified by GDUAEE that the tender process has formally commenced on 16 July 2018.

On 8 August 2018, Canton Risen Financial Leasing Co., Ltd.* (廣東粵盛科融資租賃有限公司), a wholly-owned subsidiary of the Company entered into a finance lease with the lessee, to acquire the ownership of the assets from the lessess for RMB30,000,000 which would be leased back to the lessees for their use and possession for a term of 5 years.

On 9 August 2018, Sino Rock Tyco, a non-wholly-owned subsidiary of the Company, entered into the a wealth management agreement with Industrial and Commercial Bank of China, pursuant to which the Sino Rock Tyco has agreed to purchase wealth management products of RMB140,000,000 (equivalent to approximately HK$160,860,000).

* *For identification purpose only*

RESULTS

BUSINESS REVIEW

For the six months ended 30 June 2018 (the "Period"), the Group recorded a total revenue of HK$22,576,000, representing a year-on-year increase of 223.2%. This is mainly attributable to: (i) an increase of approximately HK$8,975,000 in the revenue from property investments business; (ii) an increase of approximately HK$3,155,000 in the operating income from Guilin Plaza which had its business operation gradually resumed normal after reopening in November 2017; and (iii) an increase of approximately HK$3,271,000 in the operating income from the newly developed financial leasing and wellness businesses. However, the financing for the Danzao industrial parks and for the investment in Guangdong Tiannuo Civil Explosives Co. Ltd ("Tiannuo") substantially increased interest expenses and bank handling fees. In combination with other factors, the Group therefore recorded a loss of HK$7,824,000 in the first half of the year, making a loss when compared with the profit recorded in the same period last year.

HOTEL BUSINESS

Coffetel Guilin Plaza ("Guilin Plaza") was under renovation from March to October in 2017, and resumed normal operation gradually after reopening in November 2017, thus increasing the operating income by 149.2% as compared to the same period last year to HK$5,269,000 in the first half of the year. In addition, due to the business reorganization of Guilin Plaza, the number of hotel rooms was reduced while the rental area increased, thereby decreasing the demand for labor and the cost expenses. However, severance payment of HK$3,151,000 was incurred in the same period last year. The combined effect of the above resulted in a decrease of 72.2% in the operating loss of Guilin Plaza to HK$2,903,000 in the first half of the year as compared to the same period last year.

In order to expand the diversified business related to the hotel industry, the Group formed China Select Small Hotel Union Limited (a 51%-owned joint venture of the Group) with T-Box Union (China) Financial Holdings Investments Limited and T-Box Union Investments Limited on 29 September 2017, in an effort to provide integrated service in the homestay inn and small hotel industry, including the provision of quickly-constructed T-BOX® mobile homes with zero-sewage discharge environmental-friendly systems, direct sales management software and financing solutions. The Group has actively organised teams in the first half of the year for the establishment of Unions and the promotion of Wechat direct sales tools. Meanwhile, negotiation for intended projects for T-BOX mobile homes in Beijing, Guizhou and Guangxi Weizhou Island（潿洲島）etc. is currently underway. Since the business is still at the initial promotion stage, it has yet to generate any profit or gain for the Group.

PROPERTY INVESTMENTS

The Group's total rental income in the first half of 2018 was HK$3,234,000, representing an increase of 6.2% as compared to the same period last year. With the completion of enhancement work of ancillary facilities at Zhongkong Tower in Foshan, the overall occupancy rate of Zhongkong Tower increased to 63.97% and the full-year rental income amounted to HK$2,141,000, representing a significant increase of 59.06% as compared to the same period last year. The rental income of Shantou Commercial Plaza for the period amounted to HK$771,000, which was similar to the same period of last year. As most of the properties of Huizhou International Commerce Building and unit A on the ground floor in Kai Yip Factory Building, San Po Kong, Hong Kong were sold in 2017, the rental income for the period decreased 93.2% to HK$14,000 and 56.98% to HK$308,000 as compared to the same period of last year respectively.

In respect of property sales, the Group completed the disposal of 7 units of Huizhou International Commerce Building and 16 units of Shantou Commercial Plaza, cashing out a total of HK$10,802,000 and generating a total gain of HK$5,533,000 during the period.

As disclosed in the Company's announcement dated on 16 November 2017, Guangdong Sino Rock Tyco Construction Co., Ltd. ("Sino Rock Tyco"), a subsidiary of the Company and a 80%-owned joint venture of the Group, would invest in the development and construction of the high-end industrial parks project for the production of electric vehicles and hydrogen powered fuel cell vehicles in Danzao Town, Nanhai District, Foshan City. The planning and construction of the industrial parks are currently underway, and it is expected to complete in phases in 2019.

WELLNESS BUSINESS

Guangdong Yibaijian Comprehensive Health Technology Ltd. ("Guangdong Yibaijian"), a 70%-owned joint venture company of the Group, has completed all the construction works, passed the comprehensive system test and commenced the operation of smart platform for the management of integrated elderly care services in Nanhai District ("Smart Elderly Care Services Platform"). On December 4, 2017, Guangdong Yibaijian was awarded the tender of the second phase construction of the Smart Elderly Care Services Platform for further optimization of the Platform and development of various value-added services in health management so as to increase channels of operating income. There are also plans to gradually expand the coverage of the Smart Elderly Care Services Platform to other towns in Nanhai District. The Smart Elderly Care Services Platform is a point for the Group to enter into the elderly care industry, and is currently being promoted comprehensively through media for the sake of gaining market recognition. The revenue from wellness business in the first half of the year amounted to HK$1,481,000. As the elderly care project is still at the initial investment construction and promotion stage, it has yet to generate a net profit for the Group and recorded a loss of HK$884,000.

FINANCIAL LEASING BUSINESS

The Group has engaged in the operation and management of financial leasing business and gradually accumulated related experience through Guangdong Financial Leasing Co., Ltd., a 25%-owned associate of the Group. The Group holds an optimistic view on the prospects of the development of financial leasing business in China, and has established a wholly-owned subsidiary Canton Risen Financial Leasing Co., Ltd*（廣東粵盛科融資租賃有限公司）to further develop the financial leasing business which recorded an operating income of HK$1,790,000 and a profit margin of HK$546,000 for the first half of the year. Since it is still at the initial stage, a slight loss of HK$508,000 is recorded but it is expected to contribute to the Group in the second half of the year.

PROFIT FROM INVESTMENTS IN ASSOCIATES

Nanhai Changhai Power Company Limited ("Changhai Power"), a 32.636%-owned joint venture of the Group, recorded a cost increase due to the higher coal prices in the period, but it was offset by the substantial increase in sales volume of steam as compared to the same period last year. Accordingly, the operating performance in the first half of 2018 still improved with an operating profit of HK$89,958,000, thus contributing earnings of HK$29,359,000 to the Group, representing an increase of 4.58% as compared to the same period last year.

Guangdong Financial Leasing Co., Ltd., a 25%-owned associate of the Group, recorded a slight increase in its operating results in the year, posting net operating profit of HK$43,773,000, contributing a profit of HK$10,943,000 to the Group, representing an increase of 22.82% as compared to the same period last year.

On 28 March 2018, Foshan City Nanhai Canmanage Investments Holdings Limited ("Nanhai Canmanage"), a wholly-owned subsidiary of the Company, entered into the Capital Contribution Agreement with Foshan City Nanhai District Lianhua Asset Operation & Management Co., Limited, Guangdong Nanhai Chemical Factory Co., Limited and Tiannuo. Nanhai Canmanage has agreed to contribute an amount of RMB130,333,102.44 to the capital of the Tiannuo, for 49% of the enlarged equity interests of the Tiannuo and the acquisition of the Guangdong Nanhong Chemical Co., Limited by the Tiannuo thereafter. The aforesaid capital contribution agreement and the relevant transactions as contemplated thereunder had been approved at the special general meeting of the Company held on 25 May 2018. Completion of the transaction is subject to satisfactory fulfilment of all the conditions precedent as set out in Capital Contribution Agreement. On 26 June 2018, the first instalment of capital contribution amounting to RMB65,166,551.22 had been paid. The Company particulars of industrial and commercial registration is in the process. After the completion of the industrial and commercial change of registration, the balance will be paid according to the agreement and the capital contribution to Tiannuo will be completed. Therefore, it will help improve the profitability of the Group, enabling the Group to explore the potential of the domestic civil explosive business.

FINANCIAL POSITION AND ANALYSIS

As at 30 June 2018, the Group had total assets of HK$2,466,465,000 (31 December 2017: HK$2,277,412,000), bank loans and other long-term liabilities of HK$1,112,064,000 (31 December 2017: HK$945,849,000), net assets of HK$1,215,248,000 (31 December 2017: HK$1,177,859,000), a gearing ratio (being bank loans and long-term borrowings divided by total assets) of 45.1% (31 December 2017: 41.5%) and equity attributable to owners of the Company of HK58.26 cents (31 December 2017: HK59.58 cents) per share.

The Group had net current assets of HK$415,619,000 (31 December 2017: HK$244,777,000), a current ratio (being current assets divided by current liabilities) of approximately 1.56 times (31 December 2017: 1.32 times) and bank savings and cash of HK$874,323,000 (31 December 2017: HK$886,861,000), which are sufficient for the capital requirements for future operation and new projects or business development of the Group.

PLEDGE OF ASSETS

As at 30 June 2018, properties of the Group for own use and investment with a carrying value of approximately HK$387,741,000 were pledged to banks as the security for the bank borrowings granted to the Group (31 December 2017: properties of the Group for own use and investment with a carrying value of approximately HK$387,660,000 were pledged to banks). Pledged bank deposit represents deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to approximately HK$68,878,000 (31 December 2017: HK$63,963,000) have been pledged to secure a bank borrowing.

FOREIGN EXCHANGE EXPOSURE

The Group's operating income and costs are mainly denominated in RMB. In the business operation of the Group, foreign exchange fluctuation of income and costs would be mutually offset. However, the Group is based in Hong Kong, and has injected a substantial amount of current borrowings into its wholly-owned subsidiaries in China on one hand and held a huge amount of monetary assets denominated in RMB on the other hand. The Group injected registered capital of US$70,000,000 into Sino Rock Tyco at the end of last year for the construction of the industrial parks project. As Sino Rock Tyco has not translated the US$70,000,000 into RMB, provisional exchange loss or gain would be generated from appreciation or depreciation of RMB before translating the amount. It is expected that a decrease or an increase of about HK$14,617,000 in the profit of the year would be resulted if the exchange rate of RMB against HK dollars appreciates or depreciates by 5%. To the contrary, after translating the US$70,000,000 into RMB, it is expected that an increase or a decrease of about HK$12,837,000 in the profit of the year would be resulted if the exchange rate of RMB against HK dollars appreciates or depreciates by 5%. Over the past few years, RMB constantly showed an upward trend and gradually became stable in the second half of 2008. Nevertheless, RMB started to fluctuate upward and downward repeatedly in recent years. With the Sino-US trade war during this year, the exchange rate of RMB against USD dropped sharply. As the Group had injected registered capital of US$70,000,000 into Sino Rock Tyco and the amount has not been translated into RMB, the Group recorded an exchange gain of HK$3,442,000 in the first half of this year. However, the Board believes that RMB will be immensely affected by any change in the Sino-US trade war in the short term. A turnaround in the Sino-US trade war can possibly reverse RMB's downward trend or even cause a rapid rebound, therefore the trend of RMB is unforeseeable in the short term. Though in the long run, it is expected that RMB will become stable and will not expose the Group under 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

During the course of transformation and upgrade in the past few years, with industry experience accumulated therefrom, the Group has basically confirmed its development focus and direction through continuous exploration and survey and steady investment. Looking ahead into the second-half of the year, the Group will seize opportunities for market development and continue efforts to adjust and optimize its business. The Group will develop the business towards finance, technology and wellness elderly care sectors in coming years. In respect of the finance sector, the Group will further develop the financial leasing business, and initially intends to focus on business areas including public utilities projects, environmental protection and energy-saving projects, new energy projects and tele-communication projects. In respect of the technology sector, taking advantages of the opportunity arising from the new smart city construction plan in Nanhai District, the Group actively research on and develop the Big Data industry projects. Regarding the wellness elderly care sector, the Group will continue to develop towards the goal of establishing a 3-tier elderly care system comprising institutes, communities and households in Nanhai District based on the foundation of the Smart Elderly Care Services Platform. The Group will be able to expand its business coverage with the above development plans, thereby gradually achieving the goal of increasing returns for shareholders.

EMPLOYEES

The total number of employees of the Group is approximately 168 (31 December 2017: 113). 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 2018 (six months ended 30 June 2017: Nil).

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

During the six months ended 30 June 2018, 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 2018, the Company has complied with all the code provisions under the Code.

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 2018, 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, internal control and financial reporting matters including a general review of the unaudited interim results for the six months ended 30 June 2018.

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

Hong Kong, 21 August 2018

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