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Core Economy Investment Group Limited

核心經濟投資集團有限公司

(Continued into Bermuda with limited liability)

(Stock Code: 339)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board (the “Board”) of directors (the “Directors”, and each, a “Director”) of Core Economy Investment Group Limited (the “Company”, together with its subsidiaries, the “Group”) is pleased to present the unaudited consolidated interim results of the Group for the six months ended 30 June 2021 (the “Period”), together with the comparative figures for the corresponding period of 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		(Unaudited)	
		Six months ended 30 June	
	Notes	2021 HK\$	2020 HK\$
Revenue	5	74,721	310,983
Net change in fair value of financial assets at fair value through profit or loss	6	1,774,293	(1,294,394)
Administrative and other operating expenses		(4,836,842)	(5,677,578)
Finance costs	7	(270,924)	(87,967)
Loss before income tax expense	8	(3,258,752)	(6,748,956)
Income tax expense	9	–	–
Loss for the period attributable to owners of the Company		(3,258,752)	(6,748,956)
Other comprehensive income for the period, net of tax:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(206)	(115)
Total comprehensive income for the period attributable to owners of the Company		(3,258,958)	(6,749,071)
Loss per share			
– Basic and diluted	11	(0.014)	(0.039)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	(Unaudited) As at 30 June 2021 HK\$	(Audited) As at 31 December 2020 HK\$
Non-current assets		
Property, plant and equipment	634,829	600,722
Right-of-use asset	3,006,873	405,629
Refundable rental deposit	403,129	403,129
	<u>4,044,831</u>	<u>1,409,480</u>
Current assets		
Financial assets at fair value through profit or loss	17,280,648	20,722,381
Prepayments, deposits and other receivables	199,940	1,695,480
Cash and cash equivalents	13,074,126	3,904,660
	<u>30,554,714</u>	<u>26,322,521</u>
Current liabilities		
Accruals and other payables	90,332	472,459
Lease liability	1,099,268	277,602
	<u>1,189,600</u>	<u>750,061</u>
Net current assets	<u>29,365,114</u>	<u>25,572,460</u>
Total assets less current liabilities	<u>33,409,945</u>	<u>26,981,940</u>
Non-current liabilities		
Lease liability	1,927,854	–
Provision	300,000	–
	<u>2,227,854</u>	<u>–</u>
NET ASSETS	<u>31,182,091</u>	<u>26,981,940</u>
Equity attributable to owners of the Company		
Share capital	4,809,600	4,008,000
Reserves	26,372,491	22,973,940
TOTAL EQUITY	<u>31,182,091</u>	<u>26,981,940</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. CORPORATE INFORMATION

Core Economy Investment Group Limited (the “Company”) was continued into Bermuda as an exempted company with limited liability under the Bermuda Companies Act 1981. The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda. The address of its principal place of business is Room 1805, 18th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company acts as an investment holding company and its principal activities are investment and trading of listed and unlisted securities. The Company and its subsidiaries are collectively referred to as the “Group”.

2. BASIS OF PREPARATION

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

These condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2020 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2021. The Group has not early adopted any new and revised Hong Kong Financial Reporting Standards (the “HKFRSs”) that has been issued but not yet effective in the current accounting period.

The preparation of these condensed consolidated financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 4 to the condensed consolidated financial statements.

These condensed consolidated financial statements are presented in Hong Kong Dollars (“HK\$”), unless otherwise stated. These condensed consolidated financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. These condensed consolidated financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with HKFRSs and should be read in conjunction with the 2020 consolidated financial statements.

These condensed consolidated financial statements are unaudited, but have been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

3. CHANGES IN HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

Amendments to HKFRS 16	COVID-19-Related Rent Concession
Amendments to HKFRS 4, HKFRS 7, HKFRS 9, HKFRS 16 and HKAS 39	Interest Rate Benchmark Reform – Phase 2

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial announcement. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these condensed consolidated financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2020 annual financial statements.

5. REVENUE AND SEGMENT INFORMATION

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	HK\$	HK\$
Dividend income from listed equity investments	74,027	310,651
Bank interest income	30	54
Other interest income	664	278
	<hr/>	<hr/>
Revenue	74,721	310,983
	<hr/>	<hr/>
Proceeds from disposals of financial assets at fair value through profit or loss ("FVTPL")	38,395,131	28,511,479
	<hr/>	<hr/>

No segment information is presented as all of the revenue and contribution to operating results, assets and liabilities of the Group are attributable to investment activities which are carried out or originated principally in Hong Kong.

6. NET CHANGE IN FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	<i>HK\$</i>	<i>HK\$</i>
Net realised gains on disposals of financial assets at FVTPL	1,692,987	287,549
Net unrealised gains/(losses) on financial assets at FVTPL	81,306	(1,581,943)
	<u>1,774,293</u>	<u>(1,294,394)</u>

7. FINANCE COSTS

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	<i>HK\$</i>	<i>HK\$</i>
Interest expense on lease liability	183,214	38,856
Interest expense on other borrowings	87,710	49,111
	<u>270,924</u>	<u>87,967</u>

8. LOSS BEFORE INCOME TAX EXPENSE

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	<i>HK\$</i>	<i>HK\$</i>
Loss before income tax expense for the Period is stated at after charging:		
Auditor's remuneration	48,000	40,000
Depreciation		
– Property, plant and equipment	115,005	124,575
– Right-of-use asset	980,048	1,622,517
Directors' emoluments		
– Fees	1,516,881	1,368,000
Investment management fee (Note 10)	–	261,290
Written off of property, plant and equipment	5,088	–
	<u>1,654,022</u>	<u>2,356,382</u>

9. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the Period (2020: Nil).

As at 30 June 2021, the Group has unused tax losses of HK\$88,927,123 (At 31 December 2020: HK\$82,855,783) available to offset against future profits. No deferred tax asset has been recognised in the condensed consolidated financial statements due to the unpredictability of future profit streams.

10. CONTINUING CONNECTED TRANSACTIONS

The Company entered into an investment management agreement with China Everbright Securities (HK) Limited (“CES”), for the provision of investment management services to the Company for a period of two years from 12 May 2016. On 11 May 2018, the Company entered into a new investment agreement with CES to extend the terms for a further period of two years from 12 May 2018 to 11 May 2020 with the monthly fee and payment term remain unchanged. During the period ended 30 June 2020, the investment management fee of HK\$261,290 was paid by the Company to CES. After the expiration of agreement on 11 May 2020, the management does not appoint a new investment manager and no further investment management fee was charged.

Rule 14A.08 of the Listing Rules provides that where a listed company is an investment company listed under Chapter 21 of the Listing Rules, its connected persons also include an investment manager. Accordingly, the provision of investment management services by CES to the Company under the above-mentioned investment management agreements constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

11. LOSS PER SHARE

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the Period attributable to owners of the Company of HK\$3,258,752 (2020: HK\$6,748,956) and the weighted average number of 233,394,033 (2020: 173,606,593) ordinary shares in issue during the Period.

Diluted loss per share equals to basic loss per share, as there were no potential dilutive ordinary shares issued during the six months ended 30 June 2021 and 2020.

12. NET ASSET VALUE PER SHARE

The net asset value per share is HK\$0.13 as at 30 June 2021 (At 31 December 2020: HK\$0.13). The calculation is based on the net assets of the Group as at 30 June 2021 of HK\$31,182,091 (At 31 December 2020: HK\$26,981,940) and the number of ordinary shares of 240,480,000 (At 31 December 2020: 200,400,000) in issue as at that date.

13. IMPACTS OF COVID-19 PANDEMIC

Since January 2020, the outbreak of Novel Coronavirus (“COVID-19”) has dealt a big blow on the global business environment. In preparing the condensed consolidated financial statements, the Group applies fair value approach to measure its financial assets at FVTPL. Since 2020, fair value of the Group’s financial assets at FVTPL has been suffering from fluctuations due to the COVID-19 outbreak. The impact will largely depend on duration of the outbreak.

In view of the development and spread of COVID-19 subsequent to the date of this announcement, further changes in economic conditions arising thereof may have negative impact on the financial results of the Group, the extent of which could not be estimated as at the date of this announcement. The Group will keep monitoring to the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

During the Period, the Group recorded a revenue of approximately HK\$75,000 (2020: Approximately HK\$311,000), loss attributable to owners of the Company of approximately HK\$3,259,000 (2020: Approximately HK\$6,749,000) and basic loss per share of HK\$0.014 (2020: HK\$0.039). The revenue recorded in the Period is generated from dividend income from listed investments as well as bank and other interest income. The decrease in revenue was mainly attributable to decrease in dividend income from listed equity securities during the Period.

The Group's administrative and other operating expenses amounted to approximately HK\$4,837,000 (2020: Approximately HK\$5,678,000). The Group recorded a gain on net change in fair value of financial assets at FVTPL for the Period of approximately HK\$1,774,000 as compared with a loss of approximately HK\$1,294,000 in the corresponding period of previous year. The decrease in net loss was mainly driven by increase in gain on net change in fair value of financial assets at FVTPL as a result of the recent upturn in financial market and decrease in administrative and other operating expenses because of implementation of cost saving plan, such result was partially mitigated by decrease in revenue due to reduce in dividend income received.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (2020: HK\$ Nil).

Business Review

The stock market posted strong gains for the first six-month period thanks to rollout of COVID vaccines and governments fiscal stimulus. However, economic prospects for rich and poor nations have diverged more due to differing access to COVID vaccines; concerns over resurging COVID cases and the spread of the new variants also bring the uncertainty about the market restoration progress. At the beginning of 2021, the PRC government has strengthened the supervision on different sectors, especially on internet finance sector and education sector, leading investors opted to avoid the unknown in China's ongoing regulatory clampdown. Yet, crisis creates opportunities. We will continue to pursue for various investment opportunities to enhance the investment portfolio value.

The Group's portfolio of listed securities as at 30 June 2021 consisted of Tencent Holdings Limited, Alibaba Group Holding Limited, JD.com, Inc., Meituan, CK Hutchison Holdings Limited, Ping An Insurance (Group) Company of China, Ltd., New Silkroad Culturaltainment Limited, Sunac China Holdings Limited, New China Life Insurance Company Ltd., China Taiping Insurance Holdings Company Limited, Baidu, Inc., China Life Insurance Company Limited, Blue Moon Group Holdings Limited, HSBC Holdings Plc, JD Health International Inc. and Sunac Services Holdings Limited.

Liquidity, Financial Resources and Funding

The Group mainly relies upon shareholders' funds, funds from placing of shares and cash generated from its business operations to finance its operation and expansion. The Group managed the cash and cash equivalents principally based on making good use of capital to achieve returns for shareholders and ensuring sufficient liquidity for the working capital requirements. Cash and cash equivalents stood at HK\$13,074,126 as at 30 June 2021 (At 31 December 2020: HK\$3,904,660). As at 30 June 2021, the consolidated net asset value of the Group was HK\$31,182,091 (At 31 December 2020: HK\$26,981,940) with consolidated net asset value per share of HK\$0.13 (At 31 December 2020: HK\$0.13).

The Company has completed the placing of 33,400,000 and 40,080,000 new shares of the Company under the general mandate of the Company on 26 May 2020 and 2 February 2021 respectively. The details have been set out as per below:

Date of announcements	Events	Number of shares placed	Placing price	Gross proceeds raised	Net proceeds raised
12 January 2021 and 2 February 2021	Placing of 40,080,000 new shares of the Company under the general mandate of the Company, which was granted to the Directors by the shareholders of the Company at the Company's annual general meeting held on 30 June 2020. ("2021 Placing")	40,080,000 new shares of the Company	HK\$0.188 per placing share	HK\$7.54 million	HK\$7.46 million
29 April 2020 and 26 May 2020	Placing of 33,400,000 new shares of the Company under the general mandate of the Company, which was granted to the Directors by the shareholders of the Company at the Company's annual general meeting held on 14 June 2019. ("2020 Placing")	33,400,000 new shares of the Company	HK\$0.17 per placing share	HK\$5.68 million	HK\$5.56 million

To the best knowledge, information and belief of the Company having made such reasonable enquiry and as informed by the placing agent, each of the placees and their respective ultimate beneficial owners are independent third parties and not connected with the Company and its connected persons as at the date of completion. The placees are professional investors and none of them has become a substantial shareholder of the Company immediately after completion.

The following table set out the actual use of the net proceeds from the fund-raising exercise for the period ended 30 June 2021, up to this announcement date and brought forward from the previous years:

Date of announcements	Events	Proposed usage	Net proceeds raised	Utilised proceeds	Unutilised proceeds
12 January 2021 and 2 February 2021	2021 Placing	(a) Future investment and business development	HK\$6.96 million	HK\$6.96 million	–
		(b) General working capital	HK\$0.50 million	HK\$0.10 million	HK\$0.40 million ¹
29 April 2020 and 26 May 2020	2020 Placing	(a) Future investment and business development	HK\$2.78 million	HK\$2.78 million	–
		(b) General working capital	HK\$2.78 million	HK\$2.78 million	–
25 January 2019, 12 February 2019 and 25 February 2019	Placing of 27,800,000 new shares of the Company under the general mandate of the Company, which was granted to the Directors by the shareholders of the Company at the Company's annual general meeting held on 8 June 2018.	(a) Future investment and business development	HK\$5.50 million	HK\$5.50 million	–
		(b) General working capital	HK\$5.50 million	HK\$5.50 million	–

Note:

1. The unutilised proceeds is expected to be utilised by the end of 31 December 2021.

The Group has no significant liabilities. The Group's accruals and other payables amounted to HK\$90,332 as at 30 June 2021 (At 31 December 2020: HK\$472,459), a lease liability amounted to HK\$3,027,122 (At 31 December 2020: HK\$277,602) and a provision amounted to HK\$300,000 (At 31 December 2020: HK\$Nil). The Group has recognised a right-of-use asset and a lease liability for the office property lease contract. The gearing ratio of the Group, calculated on the basis of the Group's total liabilities over total owners' equity, was 0.11 as at 30 June 2021 (At 31 December 2020: 0.028).

Capital Structure

The capital of the Group comprises only ordinary shares as at 30 June 2021 and 31 December 2020. There was no change on the Group's overall capital structure for the six months ended 30 June 2021.

Capital Expenditures

The Group's capital expenditures primarily consisted of expenditures on acquisition of computer equipment, furniture and fixtures, motor vehicles, office equipment and leasehold improvements. During the six months ended 30 June 2021, the Group incurred capital expenditure in the amount of HK\$86,550 (2020: HK\$651,199).

Capital Commitments

As at 30 June 2021, the Group did not have any significant capital commitments (At 31 December 2020: Nil).

Foreign Exchange Exposure

The Board believes that the Group has certain exposure to foreign exchange risk as some of the business transactions of the Group are denominated in Renminbi and United States dollars. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Board will monitor the foreign currency exposure closely.

Employees and Remuneration Policies

As at 30 June 2021, the Group has employed a total of 12 employees (2020: 12) including the directors of the Company. The remuneration packages consist of basic salary, mandatory provident fund, medical insurance, and other benefits considered as appropriate. Remuneration packages are generally structured by reference to the prevailing market conditions, individual qualification and performance. They are under periodic review based on individual merit and other market factors. The total staff costs for the six months ended 30 June 2021 amounted to HK\$2,637,859 (2020: HK\$2,421,000).

Charges on the Group's Assets

As at 30 June 2021, no charges had been created on the Group's assets (At 31 December 2020: Nil).

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2021 (At 31 December 2020: Nil).

Prospects

Having mentioned in “Business Review” section, the market is experiencing a tumultuous in short run. The Group expects the global economy will be full of challenge in future. The management of the Group will adopt a conservative approach in managing the existing investments in accordance with the Group’s investment objectives and policies. On the other hand, the Group will continue to seek and evaluate good investment opportunities to enrich the investment portfolios, aiming to maximize the return for the shareholders of the Company.

Events After the Reporting Period

Save as disclosed above, there is no material subsequent event undertaken by the Group after the end of the six months ended 30 June 2021 and up to the date of this announcement.

Significant Investment Held

Save as disclosed above, the Group had no other significant investment held as at 30 June 2021.

Future Plans Relating to Material Investment or Capital Asset

The Group had not executed any agreement in respect of material investment or capital asset and did not have any further plans relating to material investment or capital asset as at the date of this announcement. Nonetheless, if any potential investment opportunity arises in the coming future, the Group will perform feasibility studies and prepare implementation plans to consider whether it is beneficial to the Group and the shareholders of the Company as a whole.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the reporting period.

CORPORATE GOVERNANCE

The Company is dedicated to maintaining and ensuring high standards of corporate governance practices and the corporate governance principles of the Company are adopted in the best interest of the Company and its shareholders. The Company has established procedures on corporate governance that comply with the requirements of the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Listing Rules. The Board has reviewed and taken measures to adopt the CG Code as the Company’s code of corporate governance practices. During the six months ended 30 June 2021, the Company has complied with the code provisions under the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules regarding Directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all Directors, all the Directors have complied with the required standards as set out in the Model Code and its code of conduct regarding directors’ securities transactions throughout the reporting period.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”), with its terms of reference established in compliance with the Listing Rules, comprises three independent non-executive Directors, namely Mr. MOK Ho Ming (the chairman of the Audit Committee), Mr. CHEN Ming and Mr. WONG Yan Wai George. The Audit Committee has reviewed with the management of the Company the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2021 including the accounting principles and practices adopted by the Group and has also discussed with management of the Company the financial reporting procedures, internal control and risk management systems.

REVIEW OF ACCOUNTS

The external auditor, BDO Limited, has reviewed the interim financial information for the six months ended 30 June 2021 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

PUBLICATION OF 2021 INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Company’s website (www.ceig.hk) and the Stock Exchange’s website (www.hkexnews.hk). The Group’s 2021 interim report for the six months ended 30 June 2021 will be made available on the websites of the Company and Stock Exchange and will be dispatched to Company’s shareholders in due course.

By order of the Board
Core Economy Investment Group Limited
SUN Bo
Chairman

Hong Kong, 20 August 2021

As at the date of this announcement, the executive Directors are Mr. SUN Bo (Chairman) and Mr. WANG Daming; the non-executive Directors are Mr. HE Yu and Ms. LIU Li; and the independent non-executive Directors are Mr. CHEN Ming, Mr. MOK Ho Ming and Mr. WONG Yan Wai George.