



中國興業控股有限公司

China Investments Holdings Limited | Interim Report 2012

(Incorporated in Bermuda with limited liability)

(Stock Code: 132)



CORPORATE INFORMATION

Executive Directors	You Guang Wu (Chairman) Su Wenzhao (Managing Director) Wu Yongqing (Deputy Managing Director)
Independent Non-executive Directors	Chan Kwok Wai Chen Da Cheng Deng Hong Ping
Registered Office	Clarendon House 2 Church Street Hamilton HM11 Bermuda
Principal Place of Business	Unit 601, Tsim Sha Tsui Centre 66 Mody Road Tsimshatsui Kowloon Hong Kong
Registrars	Butterfield Fulcrum Group (Bermuda) Limited Rosebank Centre 11 Bermudiana Road Pembroke HM08 Bermuda
Branch Registrars	Tricor Progressive Limited 26/F Tesbury Centre 28 Queen's Road East Hong Kong
Principal Bankers	Bank of China Bank of Communications Wing Hang Bank Ltd.
Solicitors	Woo, Kwan, Lee & Lo Guangdong Weonline Law Firm
Auditor	HLM & Co. Certified Public Accountants
Company Secretary	Lo Tai On
Stock Code	132
Website	http://chinainvestments.quamir.com

RESULTS

For the six months ended 30 June 2012, the Group's turnover was HK\$42,052,000, representing a decrease of 77.1% as compared to the same period last year. The dramatic decrease was due to the halting production of the Group's fibreboard business as a result of the overall environmental planning in Nanhai District, Foshan City in late December 2011. For the six months ended 30 June 2012, the Group's operating results recorded a loss of HK\$12,897,000, representing an decrease of 31.4% as compared to the same period last year.

BUSINESS REVIEW

Hotel Business

In the first half of 2012, by capitalizing on the advantage of replacement and renovation of the facilities, Guilin Plaza timely adjusted its room price, pushing up the average room price by 12.5% for the first half of 2012 as compared to the same period last year, and increasing the total turnover by 9.8% to HK\$14,801,000 as compared to the same period last year. Although certain demands from low-end customers weakened as a result of higher room price, the occupancy rate, standing at 61.7%, was on a par with the same period last year due to the vigorous exploring of new costumers by the management. In respect of the cost, despite the rising food price was reined in somewhat during the period, the cost from energy and salary kept escalating. With the continued austerity measures applied to each operation process by the management, the gross profit ratio during the period ticked up by 6.5%, and the operating results recorded a loss of HK\$290,000, representing a substantial drop of 84.6% as compared to the same period last year.

Fibreboard Business

Due to the halting production of fibreboard business in late December 2011, the Group dealt with the disposal of fibreboard business assets by tender in the first half of this year. As at 30 June 2012, the total amount of assets being dealt with reached HK\$33,427,000, and the operating loss amounted to HK\$7,110,000, representing a decrease of 58.3% as compared to the same period last year.

The compensation for the halting production is under corresponding asset valuation by appointed valuation organisation. At the same time, specific negotiation for the terms of the compensation agreement with related Government Authorities is conducted. It is expected to execute a related compensation agreement by late 2012, while the related compensation payment will be booked upon the execution of the agreement.

Property Investment

As at 30 June 2012, the Group's rental income amounted to HK\$1,088,000, which was an increase of 20.4% over the same period last year. The property occupancy rate was 69.1%, representing an increase of 1.7% as compared to the same period last year.

Financial Position and Analysis

As at 30 June 2012, the Group had total assets of HK\$609,974,000 (31 December 2011: HK\$636,739,000). There were no bank loan and other long-term debts (31 December 2011: Nil). The net asset value amounted to HK\$464,461,000 (31 December 2011: HK\$477,025,000). Gearing ratio (being bank loans and long-term debts divided by total assets) was 0% (31 December 2011: 0%). Net assets per share was HK39.09 cents (31 December 2011: HK40.14 cents).

The Group's net current assets amounted to HK\$343,749,000 (31 December 2011: HK\$353,555,000). Current ratio (being current assets divided by current liabilities) was approximately 3.36 times (31 December 2011: 3.21 times), while bank deposits and cash amounted to HK\$142,732,000, (31 December 2011: HK\$117,009,000). Together with the compensation amounting to not less than RMB300,000,000 to be received by the Group pursuant to the Compensation Memorandum entered with the Foshan Nanhai Government on 20 December 2011, the Group expected there would be sufficient funds to meet the capital requirements for the Group's operations and new projects or business development in the future.

Pledge on Assets

The Group's land use rights with net carrying value of HK\$14,795,000 (2011: HK\$14,923,000), pledged for application of standby banking facilities, has been released on 31 March 2012. There were no mortgage borrowings during the period (2011: Nil).

Foreign Exchange Exposure

The Group's main operating income and costs are denominated in Renminbi. During the Group's operating process, the foreign exchange fluctuation of the income and costs can be mutually offset. Meanwhile, the Group also had currency assets and liabilities denominated in Renminbi, which can be mutually offset. However, due to the Hong Kong based Group putting a great deal of business loans into domestic wholly-owned subsidiaries, the RMB appreciation and depreciation should bring exchange gain and loss respectively. It is expected that, when the exchange rate of Renminbi to HK dollar appreciate or depreciate 5%, it will cause an increase or decrease of approximately HK\$14,707,000 in the result of this period. In retrospect of the past few years, Renminbi was always in the trend of appreciation, and gradually became stable until the second half of 2008. Despite an exchange loss of HK\$2,601,000 during the period due to several minor downward adjustments of Renminbi exchange rate, the Board believed that the stable Renminbi would last in the long run and would not bring material adverse foreign exchange exposure to the Group. Accordingly, it is unnecessary for the Group to hedge against any foreign exchange risk.

Outlook

Aside from completing the disposal of fibreboard business assets and finalizing the compensation for the halting production, the Group will focus on enhancing the existing hotel business to foster and strengthen the profitability of the hotel, and seeking for high-quality real estate projects for tertiary industry to better prepare the Group for the official commencement of transformation next year.

DIRECTORS INTERESTS IN SHARES

As at 30 June 2012, according to the register maintained by the Company pursuant to section 352 of the Securities and Future Ordinance (the "SFO"), none of the directors, or their associates, had any interests in any shares, underlying shares or debentures of the Company or any of its associated corporation.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2012, according to the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, the persons who were interested in 5% or more in the shares and underlying shares of the Company are as follows:

Names	Number of shares	Notes	Capacity	Approximate percentage of total issued share capital as at 30 June 2012
佛山市南海聯達投資(控股)有限公司 (Foshan Nanhai Lian Da Investment (Holding) Co., Ltd.*)	203,703,703	1	Corporate interest	17.14%
廣東南海控股投資有限公司 (Guangdong Nanhai Holding Investment Co., Ltd.*)	203,703,703	1	Corporate interest	17.14%
Leung Siu Fai	151,610,779	2	Corporate interest	12.76%
Mighty Management Limited	151,610,779	2	Beneficial owner	12.76%
Industrial and Commercial Bank of China	131,657,142		Beneficial owner	11.08%
Nam Keng Van Investment Company Limited	121,864,487	3	Beneficial owner	10.26%
Cui Guo Jian	121,864,487	3	Corporate interest	10.26%
Pu Jian Qing	121,864,487	3	Corporate interest	10.26%

Notes:

1. These 203,703,703 shares were held by Prize Rich Inc which was wholly-owned by 佛山市南海聯達投資(控股)有限公司 (Foshan Nanhai Lian Da Investment (Holding) Co., Ltd.*), which was in term wholly-owned by 廣東南海控股投資有限公司 (Guangdong Nanhai Holding Investment Co., Ltd.*).
2. These 151,610,779 shares were held by Mighty Management Limited which was wholly owned by Mr. Leung Siu Fai.
3. These 121,864,487 shares were held by Nam Keng Van Investment Company Limited which was wholly-owned by Mr. Cui Guo Jian and Mr. Pu Jian Qing equally.

Save as disclosed above, no other parties were recorded in the register as having an interest in 5% or more of the issued share capital of the Company.

* For identification purpose only.

INTERIM DIVIDEND

The Board does not declare any interim dividend for the six months ended 30 June 2012 (2011: Nil).

SHARE OPTIONS

A share option scheme was adopted by the Company on 20 May 2003 (the "Scheme"). The Scheme is for a term of 10 years from the date of adoption and will expire on 20 May 2013. No option has been granted since the adoption of the Scheme.

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

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed shares.

EMPLOYEES

The total number of employees of the Group is approximately 270 (31 December 2011: 300). The remuneration of each employee of the Group is determined on the basis of his or her responsibility and performance. The Group provides education allowances to the employees.

CORPORATE GOVERNANCE

The Company placed great emphasis in corporate governance, and reviewed and strengthened measures in corporate governance from time to time. The Company has adopted all the code provisions under the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited as its own code on corporate governance practices. The Company has complied with all the code provisions under the Code during the six months ended 30 June 2012.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors. On specific enquiries made, all directors have confirmed that, in respect of the six months ended 30 June 2012, 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 the management the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters, including review of the unaudited interim results for the six months ended 30 June 2012.

By Order of the Board
China Investments Holdings Limited
You Guang Wu
Chairman

Hong Kong, 3 August 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

		Six months ended 30 June	
	Notes	2012 HK\$'000 <i>(unaudited)</i>	2011 HK\$'000 <i>(unaudited)</i> <i>(restated)</i>
Continuing operations			
Turnover	5	15,889	14,379
Cost of sales and services		<u>(6,848)</u>	<u>(7,420)</u>
Gross profit		9,041	6,959
Other operating income	6	274	5,424
Selling and distribution costs		(309)	(247)
Administrative expenses		<u>(14,854)</u>	<u>(13,206)</u>
Loss before taxation		(5,848)	(1,070)
Income tax credit/(expense)	7	<u>61</u>	<u>(698)</u>
Loss for the period from continuing operations	8	<u>(5,787)</u>	<u>(1,768)</u>
Discontinued operations			
Loss for the period from discontinued operations	12	<u>(7,110)</u>	<u>(17,046)</u>
Loss for the period and attributable to owners of the Company		<u>(12,897)</u>	<u>(18,814)</u>
Other comprehensive income/(expense):			
Exchange differences arising on translation of foreign operations		<u>333</u>	<u>(118)</u>
Other comprehensive income/(expense) for the period		<u>333</u>	<u>(118)</u>
Total comprehensive expense for the period and attributable to owners of the Company		<u>(12,564)</u>	<u>(18,932)</u>
Loss per share			
From continuing and discontinued operations	10		
Basic		<u>(HK1.09 cents)</u>	<u>(HK1.58 cents)</u>
Diluted		<u>N/A</u>	<u>N/A</u>
From continuing operations			
Basic		<u>(HK0.49 cents)</u>	<u>(HK0.15 cents)</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	<i>Notes</i>	30.6.2012 HK\$'000 <i>(unaudited)</i>	31.12.2011 HK\$'000 <i>(audited)</i>
Non-current assets			
Investment properties	11	11,801	11,801
Property, plant and equipment	11	<u>108,911</u>	<u>111,669</u>
		<u>120,712</u>	<u>123,470</u>
Current assets			
Properties held for sale		63,429	63,429
Inventories		1,800	1,927
Trade and other receivables	14	4,121	3,997
Financial assets at fair value through profit or loss		1	1
Bank balances and cash		<u>142,732</u>	<u>62,708</u>
		212,083	132,062
Assets classified as held for sale	13	<u>277,179</u>	<u>381,207</u>
		<u>489,262</u>	<u>513,269</u>
Current liabilities			
Trade and other payables	15	88,822	92,710
Tax payable		–	2,087
		88,822	94,797
Liabilities directly associated with assets classified as held for sale	13	<u>56,691</u>	<u>64,917</u>
		<u>145,513</u>	<u>159,714</u>
Net current assets		<u>343,749</u>	<u>353,555</u>
Total assets less current liabilities		<u>464,461</u>	<u>477,025</u>
Capital and reserves			
Share capital	16	118,833	118,833
Reserves		<u>345,628</u>	<u>358,192</u>
Equity attributable to owners of the Company		<u>464,461</u>	<u>477,025</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Share capital	Share premium	Statutory reserve (Note)	Hotel property revaluation reserve	Exchange reserve	Accumulated losses	Total
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
At 1 January 2012	118,833	484,159	31,753	38,555	(54,348)	(141,927)	477,025
Release of revaluation reserve of hotel properties	-	-	-	(612)	-	612	-
Exchange differences arising on translation of foreign operations	-	-	-	-	333	-	333
Loss for the period	-	-	-	-	-	(12,897)	(12,897)
At 30 June 2012	<u>118,833</u>	<u>484,159</u>	<u>31,753</u>	<u>37,943</u>	<u>(54,015)</u>	<u>(154,212)</u>	<u>464,461</u>
At 1 January 2011	118,833	484,159	31,753	37,833	(54,903)	(82,135)	535,540
Release of revaluation reserve of hotel properties	-	-	-	(1,182)	-	1,182	-
Exchange differences arising on translation of foreign operations	-	-	-	-	(118)	-	(118)
Loss for the period	-	-	-	-	-	(18,814)	(18,814)
At 30 June 2011	<u>118,833</u>	<u>484,159</u>	<u>31,753</u>	<u>36,651</u>	<u>(55,021)</u>	<u>(99,767)</u>	<u>516,608</u>

Note: Statutory reserve represents general reserve and enterprise expansion fund which are set up by subsidiaries established and operated in the People's Republic of China ("PRC") by way of appropriation from the profit after taxation in accordance with the relevant laws and regulations in the PRC. The rate of appropriation of the general reserve and enterprise expansion fund is subject to the decision of the board of directors of the PRC subsidiaries, but the minimum appropriation rate for the general reserve is 10% of the profit after taxation for each year, until when the accumulated balance reaches 50% of the total registered capital of the subsidiary. Pursuant to the relevant laws and regulations of the PRC, if approvals are obtained from the relevant government authorities, the general reserve can be used in setting off accumulated losses or to increase the capital, and the enterprise expansion fund can be used to increase the capital.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash generated from/(used in) operating activities	<u>26,291</u>	<u>(26,955)</u>
Investing activities		
Purchases of property, plant & equipment	(1,006)	(5,750)
Acquisition of an associate	–	(10,108)
Net proceeds from disposal of land use rights	–	540
Interest received	274	241
Net proceeds from disposal of property, plant & equipment	<u>13</u>	<u>173</u>
Net cash used in investing activities	<u>(719)</u>	<u>(14,904)</u>
Net increase/(decrease) in cash and cash equivalents	25,572	(41,859)
Cash and cash equivalents at beginning of period	117,009	114,036
Effect of foreign exchange rate changes	<u>151</u>	<u>2,376</u>
Cash and cash equivalents at end of period, represented by bank balances and cash	<u><u>142,732</u></u>	<u><u>74,553</u></u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. GENERAL INFORMATION

As disclosed in notes 1 and 9 to the financial statements of the Group for the year ended 31 December 2011 (the "2011 Annual Financial Statements"), in 20 December 2011, the Board ceased the Group's fibreboard manufacturing trading business (the "fibreboard business") and the Group is actively seeking buyer for its fibreboard business and expects to complete the sales by 31 October 2012. As at 30 June 2012, the disposal of the fibreboard business was still in progress.

As the fibreboard business was discontinued in December 2011 and in accordance with Hong Kong Financial Reporting Standard 5 ("HKFRS 5") – Discontinued Operations, the result of the discontinued fibreboard business are reported separately in the condensed consolidated statement of comprehensive income under the line "Loss for the period from discontinued operations." Accordingly the comparative figures of the condensed consolidated statement of comprehensive income for the period ended 30 June 2011 have been restated to reflect the discontinuance of this operation. In the condensed consolidated statement of financial position, assets and liabilities related to the discontinued operation are reported under "Assets classified as held for sales" and "Liabilities directly associated with assets classified as held for sale." In accordance with HKFRS 5, the condensed consolidated statement of cash flows includes the cash flows from discontinued operations. Addition details related to the condensed consolidated statement of comprehensive income, statement of financial position and cash flow statement of the discontinued fibreboard business can be found in note 12 and note 13 to the condensed financial statement.

2. 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 auditors but have been reviewed by the Company's audit committee and auditors.

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

The interim condensed consolidated financial statements have been prepared on the historical cost 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 statement for the year ended 31 December 2011.

3. PRINCIPAL ACCOUNTING POLICIES AND APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS”) – continued

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011.

HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Asset

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements. Accordingly, no prior period adjustments has been required.

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

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ¹
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ⁴
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities ²
HKAS 32 (Amendments)	Presentation – Offsetting Financial Assets and Financial Liabilities ³
HKAS 19 (as revised in 2011)	Employee Benefits ²
HKAS 27 (as revised in 2011)	Separate Financial Statements ²
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ²
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine ²

¹ Effective for annual periods beginning on or after 1 July 2012

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2014

⁴ Effective for annual periods beginning on or after 1 January 2015

4. FINANCIAL RISK MANAGEMENT

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements for the year ended 31 December 2011.

In 2012, there were no significant changes in the business or economic circumstances that affect the fair value of the group's financial assets and financial liabilities.

In 2012, there were no reclassifications of financial assets.

5. SEGMENT INFORMATION

Business segments – revenue and results

For the six months ended 30 June 2012

	Hotel operations HK\$'000 <i>(unaudited)</i>	Property investment HK\$'000 <i>(unaudited)</i>	Unallocated HK\$'000 <i>(unaudited)</i>	Consolidated HK\$'000 <i>(unaudited)</i>
Turnover	<u>14,801</u>	<u>1,088</u>	<u>-</u>	<u>15,889</u>
Depreciation	(3,564)	-	(128)	(3,692)
Segment results	<u>(290)</u>	<u>862</u>	<u>-</u>	<u>572</u>
Interest income	37	-	237	274
Net other unallocated corporate expense	-	-	(6,694)	<u>(6,694)</u>
Loss before taxation				(5,848)
Income tax				<u>61</u>
Loss for the period from continuing operation				<u>(5,787)</u>

5. SEGMENT INFORMATION – continued

Segment Assets and Liabilities

As at 30 June 2012

	Hotel operations HK\$'000 <i>(unaudited)</i>	Property investment HK\$'000 <i>(unaudited)</i>	Unallocated HK\$'000 <i>(unaudited)</i>	Total segment asset HK\$'000 <i>(unaudited)</i>	Assets relating to Fibreboards (now discontinued) HK\$'000 <i>(unaudited)</i>	Consolidated HK\$'000 <i>(unaudited)</i>
ASSETS						
Segment assets	113,656	75,636	-	189,292	187,299	376,591
Goodwill	-	-	-	-	89,880	89,880
Financial assets at fair value through profit or loss	-	-	1	1	-	1
Bank balances and cash	-	-	142,732	142,732	-	142,732
Other unallocated corporate assets	-	-	770	770	-	770
Consolidated total assets	<u>113,656</u>	<u>75,636</u>	<u>143,503</u>	<u>332,795</u>	<u>277,179</u>	<u>609,974</u>
LIABILITIES						
Segment liabilities	6,016	634	-	6,650	56,691	63,341
Other unallocated corporate liabilities	-	-	82,172	82,172	-	82,172
Consolidated total liabilities	<u>6,016</u>	<u>634</u>	<u>82,172</u>	<u>88,822</u>	<u>56,691</u>	<u>145,513</u>

Other Information

For the six months ended 30 June 2012

	Hotel operations HK\$'000 <i>(unaudited)</i>	Property investment HK\$'000 <i>(unaudited)</i>	Unallocated HK\$'000 <i>(unaudited)</i>	Consolidated HK\$'000 <i>(unaudited)</i>
Additions to non-current assets	1,006	-	-	1,006
Depreciation	<u>3,564</u>	<u>-</u>	<u>128</u>	<u>3,692</u>

5. SEGMENT INFORMATION – continued

Business segments-revenue and results

For the six months ended 30 June 2011 (restated)

	Hotel operations HK\$'000 <i>(unaudited)</i>	Property investment HK\$'000 <i>(unaudited)</i>	Unallocated HK\$'000 <i>(unaudited)</i> <i>(restated)</i>	Consolidated HK\$'000 <i>(unaudited)</i> <i>(restated)</i>
Turnover	<u>13,475</u>	<u>904</u>	<u>–</u>	<u>14,379</u>
Depreciation	(4,351)	–	(178)	(4,529)
Segment results	<u>(1,886)</u>	<u>1,143</u>	<u>–</u>	<u>(743)</u>
Interest income	24	–	167	191
Net other unallocated corporate expense	–	–	(518)	<u>(518)</u>
Loss before taxation				(1,070)
Income tax				<u>(698)</u>
Loss for the period from continuing operation				<u><u>(1,768)</u></u>

5. SEGMENT INFORMATION – continued

Segment Assets and Liabilities

As at 31 December 2011

	Hotel operations HK\$'000 (audited)	Property investment HK\$'000 (audited)	Unallocated HK\$'000 (audited)	Total segment asset HK\$'000 (audited)	Assets relating to Fibreboards (now discontinued) HK\$'000 (audited)	Consolidated HK\$'000 (audited)
ASSETS						
Segment assets	116,045	75,565	–	191,610	237,026	428,636
Goodwill	–	–	–	–	89,880	89,880
Financial assets at fair value through profit or loss	–	–	1	1	–	1
Bank balances and cash	–	–	62,708	62,708	54,301	117,009
Other unallocated corporate assets	–	–	1,213	1,213	–	1,213
Consolidated total assets	<u>116,045</u>	<u>75,565</u>	<u>63,922</u>	<u>255,532</u>	<u>381,207</u>	<u>636,739</u>
LIABILITIES						
Segment liabilities	10,937	688	–	11,625	64,917	76,542
Other unallocated corporate liabilities	–	–	83,172	83,172	–	83,172
Consolidated total liabilities	<u>10,937</u>	<u>688</u>	<u>83,172</u>	<u>94,797</u>	<u>64,917</u>	<u>159,714</u>

Other Information

For the six months ended 30 June 2011 (restated)

	Hotel operations HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Unallocated HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Additions to non-current assets	1,848	–	4	1,852
Depreciation	<u>4,351</u>	<u>–</u>	<u>178</u>	<u>4,529</u>

5. SEGMENT INFORMATION – continued

Geographic segments – revenue and results

For the six months ended 30 June 2012

	Sales revenue from external customers by geographical market		Contribution to profit for the period	
	2012 HK\$'000 (<i>unaudited</i>)	2011 HK\$'000 (<i>unaudited</i>) (<i>restated</i>)	2012 HK\$'000 (<i>unaudited</i>)	2011 HK\$'000 (<i>unaudited</i>) (<i>restated</i>)
The PRC	15,586	14,084	331	(1,425)
Hong Kong	<u>303</u>	<u>295</u>	<u>241</u>	<u>682</u>
	<u><u>15,889</u></u>	<u><u>14,379</u></u>	<u>572</u>	<u>(743)</u>
Interest income			274	191
Net other unallocated corporate expenses			<u>(6,694)</u>	<u>(518)</u>
Loss before taxation			(5,848)	(1,070)
Income tax			<u>61</u>	<u>(698)</u>
Loss for the period from continuing operation			<u><u>(5,787)</u></u>	<u><u>(1,768)</u></u>

5. SEGMENT INFORMATION – continued

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment for the six months ended 30 June	
	30.6.2012 HK\$'000 (<i>unaudited</i>)	31.12.2011 HK\$'000 (<i>audited</i>)	2012 HK\$'000 (<i>unaudited</i>)	2011 HK\$'000 (<i>unaudited</i>) (<i>restated</i>)
The PRC	265,001	178,685	1,006	1,848
Hong Kong	67,794	76,847	–	4
	<u>332,795</u>	<u>255,532</u>	<u>1,006</u>	<u>1,852</u>

All of the segment turnover reported above is from external customers.

Segment result represents the profit earned by each segment without allocation of investment income, central administration costs and directors' salaries, other gains and losses, and change in fair value of investment properties. This is the measure reported to the Group's management for the purposes of resource allocation and performance assessment.

The total assets of the Group as at the end of the interim period date do not differ significantly since the latest annual report.

6. OTHER OPERATING INCOME

Other operating income for the period has been arrived at after crediting:

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(<i>unaudited</i>)	(<i>unaudited</i>)
		(<i>restated</i>)
Continuing operations		
Interest income	274	191
Exchange gain	–	4,665
Gain on disposal of land use rights	–	540
	<u> </u>	<u> </u>

7. TAXATION

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(<i>unaudited</i>)	(<i>unaudited</i>)
		(<i>restated</i>)
Continuing operations		
Current tax – Provision for PRC enterprises income tax	–	–
Prior year (over)/under provision for PRC enterprises income tax	(61)	698
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company and its subsidiaries in Hong Kong have no assessable profits for both periods.

Taxation of subsidiaries in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

7. TAXATION – continued

The tax charge for the period can be reconciled to the loss before taxation per the condensed consolidated statement of comprehensive income as follows:

	Six months ended 30 June	
	2012 HK\$'000 <i>(unaudited)</i>	2011 HK\$'000 <i>(unaudited)</i> <i>(restated)</i>
Loss before taxation from continuing operation	<u>(5,848)</u>	<u>(1,070)</u>
Tax at the domestic income tax rates applicable to profit in the respective country	(990)	(112)
Tax effect of non-deductible expenses	1,562	1,068
Tax effect of non-taxable revenue	(572)	(1,079)
Prior year (over)/under provision for PRC enterprises income tax	(61)	698
Tax effect of tax losses not recognised	<u>–</u>	<u>123</u>
Tax effect for the period (relating to continuing operations)	<u>(61)</u>	<u>698</u>

8. LOSS FOR THE PERIOD FROM CONTINUING OPERATION

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	<i>(unaudited)</i>	<i>(unaudited)</i> <i>(restated)</i>
Continuing operations		
Loss for the period has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	3,692	4,529
Auditors' remuneration	290	373
Staff cost (including directors remuneration and retirement benefit scheme)	6,827	6,640
(Gain)/loss on disposal of property, plant and equipment	(10)	42
Exchange loss/(gain)	1,641	(4,665)
Gross rental income from investment properties	(1,088)	(904)
Less: Direct operating expenses from investment properties that generated rental income during the period	11	312
Direct operating expenses from investment properties that did not generated rental income during the period	152	108
	<u>(925)</u>	<u>(484)</u>

9. DIVIDEND

The Board does not declare any interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

10. LOSS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted loss per share is based on the loss attributable to the owners of the Company of approximately HK\$12,897,000 (six month ended 30 June 2011: loss of HK\$18,814,000) and on the number of 1,188,329,142 ordinary shares (30 June 2011: 1,188,329,142 ordinary shares) in issue during the period.

No diluted loss per share has been presented as there were no diluting events existing for both periods.

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to owners of the Company is based on the following data:

Loss figures are calculated as follows:

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(<i>unaudited</i>)	(<i>unaudited</i>) (<i>restated</i>)
Loss for the period attributable to owners of the Company	(12,897)	(18,814)
Less: Loss for the period from discontinued operations	<u>(7,110)</u>	<u>(17,046)</u>
Loss for the purpose of basic/diluted loss per share from continuing operations	<u><u>(5,787)</u></u>	<u><u>(1,768)</u></u>

The denominators used are the same as those detailed above for both basis and diluted loss per share.

From discontinued operations

Basic/diluted loss per share for the discontinued operation is HK0.6 cent per share (30 June 2011: HK1.43 cents loss per share), based on the loss for the period from the discontinued operations of HK\$7,110,000 (six months ended 30 June 2011: loss of HK\$17,046,000) and the denominators detailed above for the both basic and diluted loss per share.

11. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the current period, the Group disposed of certain plant and machinery with an aggregate carrying amount of HK\$3,000 for proceeds of HK\$13,000, resulting in a gain on disposal of HK\$10,000 (six months ended 30 June 2011: loss of HK\$42,000).

During the period, the Group spent approximately HK\$805,000 (six months ended 30 June 2011: HK\$7,799,000) on construction costs for hotel premise in the PRC.

The Group's hotel property and investment properties as at 30 June 2012 were fair valued by the directors and valuation was arrived by reference to market evidence of transaction prices for similar properties.

The Directors considered that the carrying amount of the Group's hotel property and investment properties approximately to the fair value as at 30 June 2012. There was no further revaluation surplus or deficit arising from the revaluation in respect of the Group's hotel property and the investment properties as at 30 June 2012 (six months ended 30 June 2011: Nil). Consequently, no revaluation surplus or deficit has been recognized in the current period.

12. DISCONTINUED OPERATIONS

On 20 December 2011, the Foshan City Nanhai District Environment, Transport and City Management Authority 「佛山市南海區環境運輸和城市管理局」 ("Foshan Environment Authority") issued a notice to Foshan City Nanhai Kang Sheng Timber Company Limited ("Kang Sheng") and Foshan City Nanhai Jia Shun Timber Company Limited ("Jia Shun"), the wholly-owned subsidiaries of the Group and the Associate, Foshan Nanhai Kangyao Board Co. Ltd ("Kangyao") the Group's 42%-owned associate which carried out all of the Group's fibreboards operations, requiring them to cease their operations at the landed property (including land use rights and the buildings and structures thereon) situated at Foshan City which was leased to Kang Sheng and Jia Shun ("the property") before 31 December 2011, with a view to reducing the emission of pollutants and improving the environment in the region.

On the same date, the company (on behalf of Kang Sheng, Jia Shun and Kangyao) entered into the Compensation Memorandum with the Foshan City Nanhai District People's Government 「佛山市南海區人民政府」 ("Foshan Nanhai Government"). Pursuant to the compensation Memorandum, Foshan Nanhai Government shall resume the property situated at Foshan City that was leased to Kang Sheng and Jia Shun, and a lump sum payment amounting to not less than RMB300 million will be offered to the Group and Associate as compensation for the cessation of fibreboard business. Kang Sheng, Jia Shun and Kangyao had ceased its production. Details of this transaction and terms of compensations have been set out in the Company's announcement dated 20 December 2011.

12. DISCONTINUED OPERATIONS – continued

In this regard, the Board ceased the Group's fibreboard manufacturing and trading business on 20 December 2011. The Group is actively seeking buyer for its fibreboard manufacturing and trading business and expected to complete the sales by 31 October 2012.

The property, plant and equipment and inventories owned by Kang Sheng and Jia Shun were valued on the basis of their open market value as at 30 June 2012 by Associated Surveyors & Auctioneers Ltd, an independent professional valuers firm. The valuation amount is lower than the carrying amount of the related assets and, accordingly, impairment losses were recognized when the operation was reclassified as held for sale at the end of the reporting period.

The result of the discontinued operation included in the condensed consolidated statement of comprehensive income and condensed consolidated statement of cash flow are set out below. The comparative result and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued as the current period.

	Six months ended 30 June	
	2012 HK\$'000 <i>(unaudited)</i>	2011 HK\$'000 <i>(unaudited)</i> <i>(restated)</i>
Loss for the period from discontinued operations		
Turnover	26,163	169,067
Cost of sales	<u>(26,377)</u>	<u>(167,852)</u>
Gross (loss)/profit	(214)	1,215
Other operating income	4,039	2,623
Selling and distribution cost	(75)	(120)
Administrative expenses	(9,500)	(15,810)
Share of loss of an associate	(107)	(2,107)
Impairment loss on inventories	<u>(1,253)</u>	<u>(3,154)</u>
Loss before taxation from discontinued operation	(7,110)	(17,353)
Income tax credit	<u>–</u>	<u>307</u>
Loss for the period from discontinued operation and attributable to owners of the Company	<u><u>(7,110)</u></u>	<u><u>(17,046)</u></u>

12. DISCONTINUED OPERATIONS – continued

Loss for the period from discontinued operations includes the following:

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(<i>unaudited</i>)	(<i>unaudited</i>)
		(<i>restated</i>)
Depreciation and amortization	–	11,651
Auditors' remuneration	<u>60</u>	<u>77</u>

Cash flows from discontinued operations

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(<i>unaudited</i>)	(<i>unaudited</i>)
Net cash inflows/(outflows) from operating activities	7,085	(7,889)
Net cash inflows/(outflows) from investing activities	<u>431</u>	<u>(15,976)</u>
Net cash inflows/(outflows)	<u>7,516</u>	<u>(23,865)</u>

13. ASSETS CLASSIFIED AS HELD FOR SALE

	30.6.2012 HK\$'000 (unaudited)	31.12.2011 HK\$'000 (audited)
Assets related to fibreboard business (Note A)	<u>277,179</u>	<u>381,207</u>
Liabilities directly associated with assets classified as held for sale (Note A)	<u>56,691</u>	<u>64,917</u>

Note A:

As described in the note 12, the fibreboard business of the Company was ceased on 20 December 2011. The major classes of assets and liabilities of the fibreboard business at the end of the reporting period are as follows:

	30.6.2012 HK\$'000 (unaudited)	31.12.2011 HK\$'000 (audited)
Property, plant and equipment	98,607	99,752
Land and rights	53,757	54,220
Goodwill	89,880	89,880
Investment in an associate	2,643	2,773
Inventories	12,664	44,165
Trade and other receivables	19,628	36,116
Bank balances and cash	—	54,301
Assets of fibreboard business classified as held for sale	<u>277,179</u>	<u>381,207</u>
Trade and other payables	(55,004)	(63,215)
Tax payable	<u>(1,687)</u>	<u>(1,702)</u>
Liabilities of fibreboard business associated with assets classified as held for sale	<u>(56,691)</u>	<u>(64,917)</u>
Net assets of fibreboard business classified as held for sale	<u>220,488</u>	<u>316,290</u>

14. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 90 days to its trade customers. The following is an ageing analysis of the Group's trade receivables at the end of the reporting period:

	30.6.2012 HK\$'000 (<i>unaudited</i>)	31.12.2011 HK\$'000 (<i>audited</i>)
0 – 60 days	2,203	1,071
61 – 90 days	94	339
91 – 120 days	39	322
Over 120 days	<u>320</u>	<u>414</u>
Trade receivables	2,656	2,146
Other receivables	<u>1,465</u>	<u>1,851</u>
	<u><u>4,121</u></u>	<u><u>3,997</u></u>

The fair value of the Group's trade receivables and other receivables as at 30 June 2012 equal approximately to the corresponding carrying amounts.

15. TRADE AND OTHER PAYABLES

The following is an ageing analysis of the Group's trade payables at the end of the reporting period:

	30.6.2012 HK\$'000 (<i>unaudited</i>)	31.12.2011 HK\$'000 (<i>audited</i>)
0 – 60 days	982	1,705
61 – 90 days	119	122
91 – 120 days	114	203
Over 120 days	<u>251</u>	<u>369</u>
Trade payables	1,466	2,399
Other payables	<u>87,356</u>	<u>90,311</u>
	<u><u>88,822</u></u>	<u><u>92,710</u></u>

15. TRADE AND OTHER PAYABLES – continued

On 9 May 2002, the Group issued HK\$230,000,000 convertible notes (the “Notes”) 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 2012 and 31 December 2011, the balance of HK\$75,000,000 notes were due but not converted. Such principal monies together with all interest accrued thereon up to maturity, amounting to HK\$3,908,000, is now classified as other payables and become repayable on demand.

The fair value of the Group’s trade and other payables as at 30 June 2012 equal approximately to the corresponding carrying amounts.

16. SHARE CAPITAL

	Number of shares		Nominal value	
	30.6.2012 <i>(unaudited)</i>	31.12.2011 <i>(audited)</i>	30.6.2012 HK\$’000 <i>(unaudited)</i>	31.12.2011 HK\$’000 <i>(audited)</i>
Ordinary shares of HK\$0.10 each				
Authorised:	<u>3,000,000,000</u>	<u>3,000,000,000</u>	<u>300,000</u>	<u>300,000</u>
Issued and fully paid:	<u>1,188,329,142</u>	<u>1,188,329,142</u>	<u>118,833</u>	<u>118,833</u>

17. OPERATING LEASE ARRANGEMENTS

The Group as lessee

As at 30 June 2012, the Group had outstanding lease commitments for future minimum lease payments under non-cancellable operating lease in respect of rented premises and plant and machinery, which fall due as follows:

	30.6.2012 HK\$’000 <i>(unaudited)</i>	31.12.2011 HK\$’000 <i>(audited)</i>
Within one year	4,505	5,153
In the second to fifth year inclusive	18,096	18,140
Over fifth year	<u>13,144</u>	<u>13,177</u>
	<u>35,745</u>	<u>36,470</u>

17. OPERATING LEASE ARRANGEMENTS – continued

The Group as lessor

As at 30 June 2012, the Group had contracted with tenants for the following future minimum lease payments:

	30.6.2012 HK\$'000 (<i>unaudited</i>)	31.12.2011 HK\$'000 (<i>audited</i>)
Within one year	3,668	3,843
In the second to fifth years inclusive	<u>9,006</u>	<u>14,200</u>
	<u><u>12,674</u></u>	<u><u>18,043</u></u>

18. CONTINGENT LIABILITIES

The Group had a maximum contingent consideration of HK\$48,000,000 in respect of the acquisition of the entire issued share capital of Can Manage Trading Limited (“Can manage”). This amount would become payable, among others, if the consolidated net profit of Can Manage and its subsidiary, Foshan City Nanhai JiaShun Timber Company Limited (“Jia Shun”), achieved an amount of HK\$70,000,000 for the year ended 31 December 2002 and HK\$80,000,000 for the year ended 31 December 2003.

However, the operation of Jia Shun was suspended during the period from 17 August 2003 to 10 October 2003 due to a failure in the supply of electricity and steam from the power plant operated under the power supply agreement and a court order dated 19 August 2003 to freeze Jia Shun’s assets in relation to an alleged claim from the Shenzhen Development Bank Foshan Branch. In addition, the production facilities were substantially different from those prior to the suspension. In view of all the above incidences, and as the consolidated net profit of Can Manage and Jia Shun for the year ended 31 December 2003 did not reach HK\$80,000,000, the Board consider that the Group is not liable to pay any contingent consideration.

However, as the vender is not contactable up to the date of this report, the Board decide to reflect this amount as a contingent liability.

19. RELATED PARTY TRANSACTIONS

During the period from 1 January to 30 June 2012, the Group entered into the following transactions with related parties, including key management personnel and an associate of the Group:

(a) Transactions with an associate:

	Six months ended 30 June	
	2012 HK\$'000 (<i>unaudited</i>)	2011 HK\$'000 (<i>unaudited</i>)
Sales of products to an associate	–	3,352
Sales of equipment to an associate	–	300
Management fee income received from an associate	–	327
Rental income received from an associate	–	179
Purchase of raw material and consumable store from an associate	7	67
	<u>7</u>	<u>67</u>

All transactions were carried out in the ordinary course of business, on normal commercial terms and at terms mutually agreed between both parties.

(b) Outstanding balance with an associate:

	30.6.2012 HK\$'000 (<i>unaudited</i>)	31.12.2011 HK\$'000 (<i>audited</i>)
Trade receivables	–	–
Other receivables	165	–
Trade payables	–	–
	<u>–</u>	<u>–</u>

The amounts are unsecured, interest-free and the amounts repayable within one year are classified.

(c) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2012 HK\$'000 (<i>unaudited</i>)	2011 HK\$'000 (<i>unaudited</i>)
Salary and other short term benefits	1,629	1,254
Post-employment employee benefits	60	38
	<u>1,689</u>	<u>1,292</u>