中國興業控股有限公司

China Investments Holdings Limited | Interim Report 2008

(Incorporated in Bermuda with limited liability)

(Stock Code: 132)

CORPORATE INFORMATION

Executive Directors	Leung Siu Fai *(Chairman)* You Guang Wu *(Vice Chairman)* Kam Hung Chung *(Managing Director)* Wang Jin Yuan
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 Fund Services (Bermuda) Limited Rosebank Centre 11 Bermudiana Road Pembroke 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
Solicitors	Woo, Kwan, Lee & Lo Guangdong Weonline Law Firm Guangdong Headhunt Law Firm
Auditors	HLM & Co. Certified Public Accountants
Secretary	Lo Tai On
Stock Code	132
Website	http://chinainvestments.quamir.com

RESULTS

For the six months ended 30 June 2008, the Group has recorded a turnover of HK$215,153,000, representing a decrease of 5% over the same period last year. The Group's operating profit amounted to HK$16,816,000, representing a decrease of 58% over the same period last year.

BUSINESS REVIEW

Fibreboard Operations

The continual slowdown of the global economy and the property market imposed an adverse impact on the sales of medium density fibreboards. What's worse, the snow storm disaster in South China and the Sichuan earthquake, both of which occurred in the first half of the year, resulted in a tighter supply of raw materials and soaring prices. As a result of the various unfavorable situations, operating profit from the fibreboard operations for the first six months of the year decreased by 59% to HK$18,247,000 from that of the same period last year. Total sales volume of medium density fibreboards was 153,000 cubic metres and total sales amounted to HK$203,229,000, representing decrease of 5% and 5% over the same period last year respectively.

Hotel Operations

Due to a series of natural disasters in the PRC and the Tibet Incident, the number of customers in the domestic tourism market significantly decreased. Restriction on the visa application procedures for foreigners imposed due to the opening of the Beijing Olympics further decreased the number of foreign tourists. As such, average occupancy rate of hotels in the first half of the year decreased to 64%, representing a decrease of 5% over the same period last year. The continued rise in food and energy prices and the implementation of the new labour law of the PRC resulted in a significant increase of 12% in the operating cost of hotels, with an operating loss of HK$2,478,000 for the first half on the year. However, due to the exchange gain of HK$7,490,000 arising as a result of the appreciation of Renminbi, the entire hotel operations contributed a profit of HK$5,012,000 for the Group.

Property Investment

The Group's overall rental incomes in the first half of the year amounted to HK$511,000, representing a decrease of 37% over the same period last year.

Financial Position

As at 30 June 2008, the Group had total assets of HK$799,762,000 (31 December 2007: HK$796,768,000) and no bank loans or other long-term debts (31 December 2007: nil). Net assets amounted to HK$576,864,000 (31 December 2007: HK$556,983,000). The gearing ratio was 0 (31 December 2007: 0). Net assets per share was HK48.54 cents (31 December 2007: HK46.87 cents).

The Group's net current assets amounted to HK$199,017,000 (31 December 2007: HK$190,053,000), current ratio (being current assets divided by current liabilities) was approximately 1.89 times (31 December 2007: 1.79 times), while bank deposits and cash amounted to HK$231,955,000 (31 December 2007: HK$223,932,000), which is sufficient to meet the capital requirements for the Group's future operations and developments.

FOREIGN EXCHANGE EXPOSURE

The Group mainly earned revenue and incurred cost in Renminbi and Hong Kong Dollar. The effect of exchange rate fluctuation on revenue and cost would be offset in the business operation of the Group. For the past few years, the exchange rates of Renminbi against Hong Kong Dollars kept on increasing. The Board is of the view that this rising trend of Renminbi's exchange rate will continue and will have a favorable effect on our Group's net Renminbi monetary assets. Therefore, the Group currently does not have any specific foreign exchange risk hedging need for this matter.

OUTLOOK

It is expected that the global economy will continue to slow down in the second half of 2008 and the operating environment will continue to be adversely affected by the uncertainties in the global economy. The Group will continue to prudently and proactively face the various challenges, closely monitor each part of its production and operation process, maintain the continual and healthy development of its operations and use its best effort to tide over every single difficult situation.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2008, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO were as follows:

Name of Director	Number of shares of the Company	Nature of Interest	Notes	% of total issued share capital as at 30 June 2008
Leung Siu Fai	151,610,779	Corporate	1	12.76%
Kam Hung Chung	58,971,428	Corporate	2	4.96%
Wang Jin Yuan	2,800,000	Beneficial Owner		0.24%

Notes:

1. These shares were held by Mighty Management Limited which was wholly-owned by Mr. Leung Siu Fai.
2. These shares were held by Sintex Investment Limited in which Mr. Kam Hung Chung had 50% interest.

Save as disclosed above, none of the Directors, or their associates, had any interests in any securities of the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2008, 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:

Name	Number of shares	Notes	Nature of Interest	Approximate percentage (in aggregate) of total issued share capital as at 30 June 2008
佛山市南海聯達投資（控股）有限公司 (Foshan City Nanhai Lian Da Investment (Holdings) Limited*)	203,703,703	1	Beneficial owner / Corporate	17.14%
Leung Siu Fai	151,610,779	2	Corporate	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 Co. Ltd.	121,864,487	3	—	10.26%

Notes:

1. These interests were disclosed by 佛山市南海聯達投資（控股）有限公司 (Foshan City Nanhai Lian Da Investment (Holdings) Limited*) and 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 City Nanhai Lian Da Investment (Holdings) Limited*).

2. These 151,610,779 shares were held by Mighty Management Limited which was wholly-owned by Mr. Leung Siu Fai.

3. Thses 121,864,487 shares were held by Nam Keng Van Investment Co. Ltd. which was wholly-owned by 崔國堅 (Cui Guo Jian*), 陳桃源(Chen Tao Yuan*) and 鍾寶國 (Zhong Baoguo).

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 an interim dividend for the six months ended 30 June 2008 (2007: Nil).

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

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

EMPLOYEES

The total number of employees of the Group is approximately 1,115. 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 all 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 (the "Code") as set out in Appendix 14 to the Listing Rules as its own code on corporate governance practices. The Company has complied with all the code provisions under the Code during six months ended 30 June 2008.

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 2008, 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 2008.

By Order of the Board
Leung Siu Fai
Chairman

Hong Kong, 3 September 2008

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

		Six months ended 30 June	
		2008	2007
		HK$'000	*HK$'000*
	Notes	***(unaudited)***	*(unaudited)*
Turnover	4	**215,153**	226,840
Cost of sales and services		**(196,703)**	(168,961)
Gross profit		**18,450**	57,879
Other incomes	5	**29,048**	8,229
Selling and distribution costs		**(273)**	(248)
Administrative expenses		**(23,121)**	(19,277)
Decrease in fair value on investment properties		**(39)**	—
Impairment loss in respect of properties held for sale		**(4,661)**	—
Finance costs		**—**	(3,429)
Profit before taxation		**19,404**	43,154
Income tax expense	6	**(2,588)**	(3,098)
Profit for the period	7	**16,816**	40,056
Earnings per share	9		
Basic		**HK1.42 cents**	HK4.05 cents
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2008

	Notes	30.6.2008 HK$'000 (unaudited)	31.12.2007 HK$'000 (audited)
Non-current assets			
Investment properties	10	**10,051**	10,090
Property, plant and equipment	10	**263,261**	253,001
Land use rights	11	**14,655**	13,959
Goodwill	12	**89,880**	89,880
		377,847	366,930
Current assets			
Properties held for sale		**87,049**	91,710
Inventories		**72,622**	91,444
Trade and other receivables	13	**29,880**	22,318
Financial assets at fair value through profit or loss		**409**	434
Bank balances and cash		**231,955**	223,932
		421,915	429,838
Current liabilities			
Trade and other payables	14	**178,545**	195,623
Tax payable		**6,353**	6,162
Provision for loss in litigation		**38,000**	38,000
		222,898	239,785
Net current assets		**199,017**	190,053
		576,864	556,983
Capital and reserves			
Share capital	15	**118,833**	118,833
Reserves		**458,031**	438,150
		576,864	556,983

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	Share capital	Share premium	Statutory reserve	Convertible notes equity reserve	Hotel property revaluation reserve	Exchange reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007	91,500	426,372	17,839	30,545	79,944	(56,044)	(183,624)	406,532
Shares issued on conversion of convertible notes	27,333	57,787	–	(11,339)	–	–	–	73,781
Release of convertible notes reserve upon redemption	–	–	–	(19,206)	–	–	19,206	–
Deficit on revaluation of hotel properties	–	–	–	–	(12,505)	–	–	(12,505)
Release of revaluation reserve of hotel properties	–	–	–	–	(4,049)	–	4,049	–
Exchange differences arising on translation of foreign operations	–	–	–	–	–	1,923	–	1,923
Transfer to statutory reserve	–	–	3,322	–	–	–	(3,322)	–
Profit for the year	–	–	–	–	–	–	87,252	87,252
At 31 December 2007 and 1 January 2008	118,833	484,159	21,161	–	63,390	(54,121)	(76,439)	556,983
Surplus on revaluation of hotel properties	–	–	–	–	3,368	–	–	3,368
Release of revaluation reserve of hotel properties	–	–	–	–	(1,668)	–	1,668	–
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(303)	–	(303)
Profit for the period	–	–	–	–	–	–	16,816	16,816
At 30 June 2008	118,833	484,159	21,161	–	65,090	(54,424)	(57,955)	576,864

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Net cash generated from operating activities	**6,857**	64,667
Net cash (used in) generated from investing activities	**(6,316)**	31,629
Net cash used in financing activities	**—**	(50,000)
Net increase in cash and cash equivalents	**541**	46,296
Cash and cash equivalents at beginning of period	**223,932**	137,415
Effect of foreign exchange rate changes	**7,482**	1,595
Cash and cash equivalents at end of period, represented by bank balances and cash	**231,955**	185,306

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2007.

In the current period, the Group has applied, for the first time, the following new standard, amendment and interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2008.

HK(IFRIC) - Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) - Int 12	Service Concession Arrangements
HK(IFRIC) - Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

2. PRINCIPAL ACCOUNTING POLICIES - continued

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

HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Cost[2]
HKAS 27 (Revised)	Consolidated and Separated Financial Statements[3]
HKAS 32 and HKAS 1 (Revised)	Financial Instrument: Presentation-Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKFRS 2 (Amendment)	Share-based Payment-Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combination[3]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[1]

1 Effective for annual periods beginning on or after 1 July 2008

2 Effective for annual periods beginning on or after 1 January 2009

3 Effective for annual periods beginning on or after 1 July 2009

3. 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 2007.

4. SEGMENT INFORMATION

	Six months ended 30 June			
	2008		2007	
	Turnover	**Segment results**	Turnover	Segment results
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
	(unaudited)	***(unaudited)***	*(unaudited)*	*(unaudited)*
By business segments:				
Fibreboard	**203,229**	**18,247**	213,578	44,689
Hotel operations	**11,413**	**5,012**	12,448	3,119
Property investment	**511**	**310**	814	597
	215,153	**23,569**	226,840	48,405
Interest income		**1,653**		2,370
Unallocated other incomes		**4,954**		1,499
Unrealised holding loss on financial assets at fair value through profit or loss		**(25)**		—
Unallocated corporate expenses		**(10,747)**		(5,691)
Finance costs		**—**		(3,429)
Profit before taxation		**19,404**		43,154
Income tax expenses		**(2,588)**		(3,098)
Profit for the period		**16,816**		40,056

4. SEGMENT INFORMATION - continued

	Six months ended 30 June			
	2008		2007	
	Turnover	**Segment results**	Turnover	Segment results
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
	(unaudited)	***(unaudited)***	*(unaudited)*	*(unaudited)*
By geographical segments :				
The People's Republic of China, other than Hong Kong	**214,893**	**23,340**	226,284	47,929
Hong Kong	**260**	**229**	556	476
	215,153	**23,569**	226,840	48,405
Interest income		**1,653**		2,370
Unallocated other incomes		**4,954**		1,499
Unrealised holding loss on financial assets at fair value through profit or loss		**(25)**		—
Unallocated corporate expenses		**(10,747)**		(5,691)
Finance costs		**—**		(3,429)
Profit before taxation		**19,404**		43,154
Income tax expenses		**(2,588)**		(3,098)
Profit for the period		**16,816**		40,056

5. OTHER INCOMES

Other incomes for the period have been arrived at after crediting:

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Valued added tax refunded	**11,258**	—
Interest income	**1,653**	2,370
Exchange gain	**16,116**	4,502

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
The charges comprises:		
Current tax – Provision for PRC enterprises income tax	**906**	3,098
Prior year under-provision for PRC enterprises income tax	**1,682**	—
	2,588	3,098

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.

One of the Group's PRC subsidiary was in tax holiday and exempted from PRC enterprises income tax for the first two years starting from its first profit-making year followed by a 50% reduction for the next three years.

6. INCOME TAX EXPENSE - continued

The tax charge for the period can be reconciled to the profit before taxation per the consolidated income statement as follows:

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Profit before taxation	**19,404**	43,154
Tax at the domestic income tax rates applicable to profit in the respective country	**4,849**	15,197
Tax effect of non deductible expenses	**1,508**	1,666
Tax effect of non taxable revenue	**(1,742)**	(1,429)
Tax effect of tax deductible not recognised	**(44)**	(78)
Effect of tax exemptions granted to PRC subsidiaries	**(3,665)**	(12,258)
Prior year under-provision for PRC enterprises income tax	**1,682**	—
Tax effect for the period	**2,588**	3,098

At the balance sheet date, the Group has unused estimated tax losses of HK$14,412,000 (2007: HK$14,412,000) available for offset against future profits. No deferred tax asset has been recognized in respect of the estimated tax losses due to the unpredictability of future profit streams.

The impairment loss for the period arising on the revaluation of properties of the Group does not constitute a timing difference. Therefore, deferred tax has not been recognized in respect of the impairment loss relating to the properties.

7. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Staff cost	**17,216**	14,686
Retirement benefit scheme contributions	**2,097**	908
Depreciation of property, plant and equipment	**8,430**	7,357
Amortization of land use rights	**172**	154
Unrealised holding loss on financial assets at fair value through profit or loss	**25**	—
Impairment loss in respect of properties held for sale	**4,661**	—
Decrease in fair value on investment properties	**39**	—

8. DIVIDENDS

The Board does not declare any interim dividend for the six months ended 30 June 2008 (2007: Ni1).

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit of HK$16,816,000 (30 June 2007: HK$40,056,000) and on ordinary shares of 1,188,329,142 (30 June 2007: weighted average number of 988,975,761 ordinary shares) in issue during the period.

No diluted earnings per share has been presented for the period because no diluting event existed during the period.

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

The Group's hotel property and investment properties were revalued at 30 June 2008 by Associated Surveyors & Auctioneer Ltd., an independent firm of professional valuers, on an open market value basis. The valuation of investment properties gave rise to a revaluation deficit of HK$39,000 (2007: Nil), which has been charged to the condensed consolidation income statement.

At 30 June 2008, the carrying amount of the Group's hotel property was carried at revalued amount and was subject to depreciation. This valuation gave rise to revaluation surplus of HK$3,368,000 which has been directly credited to the hotel property revaluation reserve and hotel revaluation reserve has released HK$1,668,000 to accumulated loss in current period.

Associated Surveyors & Auctioneers Ltd. is a member of the Institute of Valuers, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

11. LAND USE RIGHTS

The Group's land use rights represent prepaid operating lease payments. The land is held outside Hong Kong and with a lease term between 10 to 50 years.

12. GOODWILL

The goodwill is arising on acquisitions on subsidiaries in 2002.

The Group's goodwill was revalued at 31 December 2007. Valuation was made on the basis of open market value by Associated Surveyors & Auctioneers Ltd., an independent firm of professional valuers.

At 30 June 2008, the Directors considered the carrying amount of the Group's goodwill carried at the revalued amounts and estimated that the carrying amount of the goodwill does not differ significantly from that as at 31 December 2007. Consequently, no impairment has been charged to the income statement for the current period.

13. TRADE AND OTHER RECEIVABLES

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

	30.6.2008	31.12.2007
	HK$'000	*HK$'000*
	(unaudited)	*(audited)*
0 – 60 days	**2,383**	2,133
61 – 90 days	**336**	542
91 – 120 days	**147**	318
Over 120 days	**1,453**	1,421
Trade receivables	**4,319**	4,414
Other receivables	**25,561**	17,904
	29,880	22,318

The fair value of the Group's accounts receivable and other receivables at 30 June 2008 equal approximately to the corresponding carrying amounts.

14. TRADE AND OTHER PAYABLES

The following is an aging analysis of the Group's trade payables at the reporting date:

	30.6.2008	31.12.2007
	HK$'000	*HK$'000*
	(unaudited)	*(audited)*
0 – 60 days	**14,146**	19,572
61 – 90 days	**1,113**	1,475
91 –120 days	**969**	212
Over 120 days	**5,168**	4,418
Trade payables	**21,396**	25,677
Other payables	**157,149**	169,946
	178,545	195,623

The fair value of the Group's accounts payable and other payables at 30 June 2008 equal approximately to the corresponding carrying amounts.

15. SHARE CAPITAL

	Number of shares		**Nominal value**	
	30.6.2008	31.12.2007	**30.6.2008**	31.12.2007
			HK$'000	*HK$'000*
	(unaudited)	*(audited)*	***(unaudited)***	*(audited)*
Ordinary shares of HK$0.10 each				
Authorised:	**3,000,000,000**	3,000,000,000	**300,000**	300,000
Issued and fully paid:				
At beginning of the period	**1,188,329,142**	914,995,817	**118,833**	91,500
Shares issued on conversion of convertible notes	**—**	273,333,325	**—**	27,333
At end of the period	**1,188,329,142**	1,188,329,142	**118,833**	118,833

16. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At 30 June 2008, 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:

	30.6.2008	31.12.2007
	HK$'000	*HK$'000*
	(unaudited)	*(audited)*
Within one year	**1,773**	649
In the second to fifth years inclusive	**4,979**	—
	6,752	649

The Group as lessor

At 30 June 2008, the Group had contracted with tenants for the following future minimum lease payments:

	30.6.2008	31.12.2007
	HK$'000	*HK$'000*
	(unaudited)	*(audited)*
Within one year	**700**	406
In the second to fifth years inclusive	**51**	—
	751	406

17. CONTINGENT LIABILITIES AND EVENTS AFTER THE BALANCE SHEET DATE

a. The litigations giving rise to the contingent liabilities as disclosed in the Annual Report of the Company for the year ended 31 December 2007 remain outstanding at the close of business on 30 June 2008.

On 14 August 2008, Shenzhen Development Bank Company Limited Foshan Branch (the "Bank") issued a letter (the "Letter") to Foshan City Nanhai Kang Sheng Timber Company Limited (" Kang Sheng"), an indirect wholly-owned subsidiary of the Company, to the effect that the Bank would agree to enter into a proposed debt assignment agreement ("the Proposed Debt Assignment Agreement") within 75 days upon the Company having obtained the approval of the shareholders of the Company for the transactions contemplated by the Proposed Debt Assignment Agreement. On 15 August 2008, Kang Sheng issued a reply letter (the "Reply Letter") to the Bank to the effect that Kang Sheng would agree to enter into the Proposed Debt Assignment Agreement upon approval by the Shareholders of the Company of the Proposed Debt Assignment Agreement and the transactions contemplated thereby within 75 days after 14 August 2008. According to the legal opinions issued by the PRC lawyers retained by the Group, the Letter together with the Reply Letter constitute a legally binding conditional agreement between the Bank and Kang Sheng for the entering into the Proposed Debt Assignment Agreement, the condition being the Company having obtained the approval of the Shareholders of the Company for the transactions contemplated by the Proposed Debt Assignment Agreement. The Bank and Kang Sheng will be bound to enter into the Proposed Debt Assignment Agreement upon approval within the said 75 days by the Shareholders of the Proposed Debt Assignment Agreement and the transactions contemplated thereby.

Under the Proposed Debt Assignment Agreement, the Bank will agree to sell and Kang Sheng will agree to buy certain debts (the "Debts") at a consideration of RMB80,000,000 (equivalent to approximately HK$90,960,773). The Debts comprised of all the rights of the Bank to certain debtors in relation to certain loan contracts and guarantees, which include all the rights of the Bank in relation to the claims (the "Claims") as stated in the Annual Report of the Company for the year ended 31 December 2007.

17. CONTINGENT LIABILITIES AND EVENTS AFTER THE BALANCE SHEET DATE - continued

Completion of the Assignment of the Debt shall be, in respect of the portion of the Debts relating to the Claims, on the respective effective dates of the adjudication orders approving the withdrawal of the relevant Claims（准予撤訴裁定書）or the mediation orders（民事調解書）dismissing the relevant Claims issued by the PRC High Court or the PRC Intermediate Court (as the case may be), and in respect of the remaining portion of the Debts, upon the transfer of all original documents relating to such portion of the Debts to Kang Sheng.

Upon completion of the Assignment of the Debt, the Group is considered to have settled the Claims once and for all and the contingent liabilities arising from the Claims will extinguish.

Details relating to the Proposed Debt Assignment Agreement were set out in the announcement of the Company dated 15 August 2008.

b. As noted in the Annual Report of the Company for the year ended 31 December 2007, 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 in 2002. Due to the various events which had happened, the Directors considered that the Group is not liable to pay any of this contingent consideration. However, as the vendor is not contactable up to the date of this report, the Directors decide to reflect this amount as a contingent liability.

c. Subsequent to the balance sheet date, on 17 July 2008, the Group entered into a Sale and Purchase Agreement with an independent third party, Nanhai Heng Yi Timber Company Limited Liquidation Committee, for acquisition of landed properties at a consideration of RMB52,492,400 (equivalent to approximately HK$59,991,314).

17. CONTINGENT LIABILITIES AND EVENTS AFTER THE BALANCE SHEET DATE - continued

The landed properties consisted of a total site area of 124.11 Chinese acres (equivalent to approximately 82,742.62 square metres) of land in Huan Qiu Industrial Estate, Shatou, Nanhai District, Foshan City, Guangdong Province together with the buildings and structures thereon with a total gross floor area of 43,172.16 square metres, including without limitation, factory buildings, warehouse, staff dormitory buildings and villas. A major portion of these buildings and structures is already in use by Kang Sheng under lease.

Details relating to the acquisition of the landed properties were set out in the announcement of the Company dated 18 July 2008 and the circular to shareholders of the Company dated 4 August 2008.

18. COMMITMENTS

As at 30 June 2008, the Group had contractual commitments in respect of acquisition of properties, plant and equipment of HK$5,893,466 (2007: HK$1,593,781).