

Interim  
Report 2008



中國基建投資有限公司  
China Infrastructure Investment Limited

Stock Code: 600

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

*Executive Directors:*

LAW Kar Po (Chairman)  
HOI Man Pak (Vice Chairman)  
CHOY Wang Kong (Chief Executive Officer)  
GAO Feng  
YONG Wing Tai, William  
CHIANG Kin Tong  
LAW Wing Yee, Wendy  
LEE Siu Yuk, Eliza

*Independent Non-executive Directors:*

LAU Wai Ming<sup>#</sup>  
KWOK Hong Yee, Jesse<sup>#</sup>  
LI Kam Fai, Dominic<sup>#</sup>

(<sup>#</sup> Members of Audit Committee)

### COMPANY SECRETARY

LAW Chun Choi

### SOLICITORS

*On Hong Kong Law*  
Iu, Lai & Li Solicitors  
Richards Butler International Law Firm

*On Cayman Islands Law*  
W.S. Walker & Company

### AUDITORS

CCIF CPA Limited

### HEAD OFFICE & PRINCIPAL PLACE OF BUSINESS

Room 2007, 20th Floor,  
West Tower, Shun Tak Centre,  
168-200 Connaught Road Central,  
Hong Kong

### REGISTERED OFFICE

The RHB Trust Co., Ltd.  
P.O. Box 1787, Second Floor,  
One Capital Place,  
Grand Cayman, Cayman Islands,  
British West Indies

### SHARE REGISTRARS & TRANSFER OFFICE

*Principal Registrars*

The RHB Trust Co., Ltd.  
P.O. Box 1787, Second Floor,  
One Capital Place,  
Grand Cayman, Cayman Islands,  
British West Indies

*Registrars in Hong Kong*

Tricor Standard Limited  
26/F., Tesbury Centre,  
28 Queen's Road East,  
Wanchai, Hong Kong

### BANKERS

DBS Bank (Hong Kong) Limited  
The Hong Kong and Shanghai Banking Corporation Limited  
The Shanghai Commercial Bank Limited  
Wing Hang Bank, Limited

## MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors (the “Board”) of China Infrastructure Investment Limited (the “Company”) is pleased to present the Interim Report with the condensed consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2008. The consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement of the Group for the six months ended 30 June 2008, and the consolidated balance sheet of the Group as at 30 June 2008, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 12 to 44 of this Report.

### BUSINESS REVIEW AND OUTLOOK

Through the disciplined execution of strategy of the Board and the Senior Management of the Group, we have delivered another set of strong results in the six months ended 30 June 2008. The profit attributable to equity shareholders of the Company for the period from 1 January 2008 to 30 June 2008 was HK\$25.1 million, compared with HK\$24.3 million for the first six months of 2007, and increased by approximately 3.3%.

The turnover of continuing operations of the Group for the period under review increased by 759% as compared with the same period in 2007 because all the remaining residential units and carparks of Edificio Chu Kuan Mansion have been disposed during the period under review.

#### Macau Projects

##### *Hotel and entertainment business*

For the period under review, the Group has continued to generate its major returns through its associate, Hotel Golden Dragon (Macao) Company Limited (“Hotel Golden Dragon”). The share of results during the period under review was HK\$28.1 million, whereas the amount for the corresponding period was HK\$37.6 million. The decrease in the profit from Hotel Golden Dragon was mainly because the hotel premises were under renovation during the whole period under review together with the tightening of PRC’s “Individual Visit Scheme” so that the revenue from hotel and entertainment business had dropped. In addition, the opening of the luxurious hotels and the world’s top class casinos did make the market overwhelmed with competitions and the increase in operating cost, especially the salaries and wages. However, in view of its prime location, after the completion of the renovation work during the period under review, the Board believes that the result of the hotel and entertainment business will be above market average.

##### *Properties development and investment*

#### 1. *Edificio Chu Kuan Mansion, Macau (澳門珠光大廈)*

All the 50 residential units and 58 carparks were disposed during the period under review and the total profit on disposal was approximately HK\$19.7 million.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 2. *Tap Siac, Macau (澳門塔石街)*

This is a single seven storey building located near Tap Siac Square, Macau. The original proposed renovation work was suspended following the Board's intention to consider the possibility of re-developing the site with a different plot ratio. Finally, the Board considered that it was a good opportunity to dispose this project, at an estimated profit of approximately HK\$19 million, for a total consideration of HK\$37 million which was completed on 18 July 2008.

### 3. *Cheok Ka Chun, Taipa, Macau (澳門氹仔卓家村)*

The construction site is located at Lote TN6, Cheok Ka Chun, Taipa, where the population density is low and occupied with middle class residential properties. It was intended to develop into a high-storey and luxurious residential apartment with a shopping arcade. However, the construction site will be sold to a Korean property developer, with an estimated profit of approximately HK\$215 million to be recorded by its 55%-owned subsidiary, for a consideration of HK\$530 million because this can bring the best interest to the Group. This transaction is expected to complete on or before 31 October 2008.

## PRC Projects

The whole world keeps its eyes wild open on the PRC market, as well as the Group. We have been locating great investment opportunities for infrastructure and property development projects in the region and have taken substantial steps to maximize shareholder value.

### *Infrastructure*

#### *Yancheng Power Plant*

The power plant is located in Yancheng City, Jiangsu Province and is still under construction. The power plant will be equipped with two 15 million-watt extraction/condensing steam turbines, three 75 tonnes/hour straw fuel boilers. It is designed to supply approximately 148 million kilowatt-hour of electricity and approximately 1 million gigajoule of heat generation per annum by recycling approximately 270,000 tonnes of agricultural wastes per annum.

As at the balance sheet date, deposits in the amount of HK\$100 million has been paid for the acquisition of Yancheng power plant and a further deposit of HK\$40 million was made on 3 July 2008 while the remaining balance of HK\$60 million will be payable within seven days upon the fulfilment of conditions precedent. It is expected that the power plant will commence business in the third quarter of year 2009.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Properties development and investment*

#### *Shenyang Project*

The Group has a 70% interest in the development project of Pan-China Commercial Square in Hunnan New District, Shenyang, PRC which is opposite to the Shenyang Olympic Gymnasium Center while the remaining 30% is held by Pan-China Construction Group Limited. The development project has a site area of approximately 75,500 sq. m. which is planned to develop into a landmark composite development project with a total gross floor area of approximately 461,000 sq. m., comprising residential buildings, shopping malls, commercial office buildings, high-class service apartments and 5-star hotels.

The development project is under construction and is scheduled to be completed in phases from 2009 to 2010. Pre-sale of 2 blocks of residential units has commenced in June 2008. Upto 31 August 2008, 179 units are sold out, at an average selling price of RMB4,700 per sq. m., for a total of approximately RMB73 million.

#### *Leather trading*

The Group's turnover from the leather trading amounted to HK\$26.9 million for the period under review, a decrease of 11.8% compared to HK\$30.5 million in the corresponding period last year. The leather trading market is still in rigorous competition and this continuously loss-making operation was disposed for a consideration of HK\$3 million which was completed on 3 July 2008.

### **Outlook**

Subsequent to the signing of a Memorandum of Understanding with Pan-China Construction Group Limited on 6 June 2008 to mutually co-operate in new energy infrastructure projects in the PRC in future, the Company had signed an Agreement on 13 June 2008 to acquire a project company, which is engaged in the production and supply of electricity and heat in Yancheng City, Jiangsu Province, for a consideration of HK\$200 million. This acquisition represents the first step for the Group towards materializing such strategy in new energy projects. For the sake of environmental protection, it is encouraged by the policy to promote the use of new energy in the PRC. Therefore, the management considers that the infrastructure business will generate steady revenue and good investment returns to the shareholders of the Company.

## **HUMAN RESOURCES**

We are committed to looking after the competitiveness of all staff. To ensure the best performance and cultivate teamwork of them, we have designed on job trainings and various recreational activities. The Group has 60 full-time staff in Hong Kong and PRC as at 30 June 2008 and the Group remunerates its employees based on their performance, experience and prevailing industry practice.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Liquidity and Financial Resources

The financial position of the Group remains healthy with underlying gearing ratio, defined as the total liabilities over total equity (including minority interest), of 77% at 30 June 2008. As at 30 June 2008, the Group's equity attributable to equity shareholders of the Company was approximately HK\$1,262 million, an increase of 20% over last year end which was approximately HK\$1,052 million. The net current assets as at 30 June 2008 was approximately HK\$511 million (31 December 2007: HK\$89 million) while the cash and bank balances as at 30 June 2008 was approximately HK\$177 million (31 December 2007: HK\$102 million).

#### Charge on Assets

As at the balance sheet date, assets of the Group amounting to HK\$666 million (31 December 2007: HK\$657 million) were pledged to banks to secure general banking facilities as set out in Note 24 to the accompanying condensed consolidated financial statements.

#### Foreign Exchange Risk

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong Dollars, Renminbi, Macao Pataca (MOP) and United States Dollars, hence the Group has no material foreign exchange exposure risks.

#### 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 under review.

## OTHER INFORMATION

### DIRECTORS' INTEREST IN SECURITIES

As at the 30 June 2008, the interests and short positions of the Directors and chief executive of the Company 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")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), to be entered in the register referred to therein; or (b) were required, pursuant to Section 352 of SFO, to be recorded in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

#### (a) Long Position in the Ordinary Shares of HK\$0.05 each ("Shares") of the Company

Name of Director	Capacity	Number of Shares	% to the issued share capital of the Company
Mr. Law Kar Po	Beneficial owner	491,706,000	12.31
Mr. Hoi Man Pak	Beneficial owner	136,716,260 ( <i>Note 1</i> )	3.42
	Interest of spouse ( <i>Note 2</i> )	136,000	0.01
Mr. Choy Wang Kong	Beneficial owner	189,823,440 ( <i>Note 3</i> )	4.75
Mr. Yong Wing Tai, William	Interest of spouse ( <i>Note 4</i> )	700,000	0.02

*Notes:*

- On 28 March 2008, Mr. Hoi Man Pak entered into a contract to sell 136,716,260 Shares, representing all the Shares beneficially owned by him. Completion of the said contract is expected to take place in October 2008.
- These Shares were held by Ms. Wong Sao Lai, spouse of Mr. Hoi Man Pak.
- On 28 March 2008, Mr. Choy Wang Kong entered into a contract to sell 189,823,400 Shares out of 189,823,440 Shares beneficially owned by him. Completion of the said contract is expected to take place in October 2008.
- These Shares were held by Ms. Io Choi Leng, spouse of Mr. Yong Wing Tai, William.



## OTHER INFORMATION

**(b) Long Position in the Underlying Shares***(i) Long position in the listed warrants ("2009 Warrants") of the Company*

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of underlying Shares (in respect of the 2009 Warrants) held</b>	<b>% to the issued share capital of the Company</b>
Mr. Law Kar Po	Beneficial owner	37,286,288	0.93
Mr. Hoi Man Pak	Interest of spouse ( <i>Note 1</i> )	14,144	0.01
Mr. Choy Wang Kong	Beneficial owner	6,600,821 ( <i>Note 2</i> )	0.17
Mr. Yong Wing Tai, William	Beneficial owner	100,000	0.01
	Interest of spouse ( <i>Note 3</i> )	72,800	0.01

*Notes:*

1. These underlying Shares were held by Ms. Wong Sao Lai, spouse of Mr. Hoi Man Pak.
2. On 28 March 2008, Mr. Choy Wang Kong entered into a contract to sell his entire beneficial interest in 6,600,821 underlying Shares in respect of the 2009 Warrants. Completion of the said contract is expected to take place in October 2008.
3. These Shares were held by Ms. Io Choi Leng, spouse of Mr. Yong Wing Tai, William.

2009 Warrants entitle the holders to subscribe for new Shares at the subscription price of HK\$0.25 per Share (subject to adjustment) until 6 June 2009.



## OTHER INFORMATION

*(ii) Long position in the unlisted 2.5% fixed interest convertible redeemable notes (“CNs”) of the Company*

<b>Name of Director</b>	<b>Capacity</b>	<b>Amount of CNs HK\$</b>	<b>Number of underlying Shares (%) to the issued share capital of the Company</b>
Mr. Chiang Kin Tong	Beneficial owner	23,709,703	160,200,696 (4.01)

Holders of the CNs are entitled to elect to convert the CNs into Shares at the conversion price of HK\$0.148 per Share (subject to adjustment) until 27 April 2011.

*(iii) Long position in the unlisted 2.5% fixed interest convertible redeemable bonds (“CBs”) of the Company*

<b>Name of Director</b>	<b>Capacity</b>	<b>Amount of CBs HK\$</b>	<b>Number of underlying Shares and (%) to the issued share capital of the Company</b>
Mr. Law Kar Po	Beneficial owner	65,000,000	216,666,666 (5.43)

Holders of the CBs are entitled to elect to convert the CBs into Shares at the conversion price of HK\$0.30 per Share (subject to adjustment) until 23 August 2012.

Save as disclosed above, as at 30 June 2008, none of the Directors or chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associate corporation (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including any interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

## OTHER INFORMATION

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2008, so far as is known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO:

## (a) Long position in the Shares

Name of shareholder	Capacity	Number of Shares	% to the issued share capital of the Company
Mr. Chiang Pedro	Beneficial owner ( <i>Note</i> )	153,640,520	3.85
	Interest of spouse ( <i>Note</i> )	30,774,000	0.77
Ms. Leong Lai Heng	Beneficial owner ( <i>Note</i> )	30,774,000	0.77
	Interest of spouse ( <i>Note</i> )	153,640,520	3.85

*Note:*

Mr. Chiang Pedro is the spouse of Ms. Leong Lai Heng and each of them is deemed to be interested in Shares held by the other.

## (b) Long position in the underlying Shares

Name of shareholder	Capacity	Number of Shares	% to the issued share capital of the Company
Mr. Chiang Pedro	Beneficial owner ( <i>Note</i> )	15,978,614	0.40
Ms. Leong Lai Heng	Interest of spouse ( <i>Note</i> )	15,978,614	0.40

*Note:*

These underlying Shares were 2009 Warrants. These underlying Shares were held by Mr. Chiang Pedro, spouse of Ms. Leong Lai Heng.

Save as disclosed above, as at 30 June 2008, no person (other than Directors or chief executive of the Company) had an interest or a short position in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## OTHER INFORMATION

### CORPORATE GOVERNANCE

The Company is committed to ensuring high standards of corporate governance in the interests of shareholders and devotes considerable effort to identifying and formalizing best practices.

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) throughout the accounting period covered by the interim report, except for the following deviation:

#### Code Provision A.4.1

Code provision A.4.1 of the Code stipulates that non-executive directors (including independent non-executive directors) should be appointed for a specific term and subject to re-election. The term of office for non-executive directors and independent non-executive directors of the Company is not specific but are subject to retirement by rotation at least once every three years at the annual general meeting and are eligible for re-appointment. The Company is of the view that such provision in the Company’s articles of association has been able to safeguard corporate governance.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the “Model Code”). Having made specific enquiry of all directors, it is confirmed that all directors have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company for the six months ended 30 June 2008.

### AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim financial report for the six months ended 30 June 2008. In addition, the condensed consolidated financial statements of the Group for the six months ended 30 June 2008 have been reviewed by our auditors, CCIF CPA Limited. The Audit Committee comprises the three independent non-executive directors of the Company.

By order of the Board

**LAW Kar Po**  
*Chairman*

Hong Kong, 29 September 2008



**CCIF**

**CCIF CPA LIMITED**

20/F Sunning Plaza  
10 Hysan Avenue  
Causeway Bay Hong Kong

**INDEPENDENT REVIEW REPORT  
TO THE BOARD OF DIRECTORS OF  
CHINA INFRASTRUCTURE INVESTMENT LIMITED**  
*(INCORPORATED IN CAYMAN ISLANDS WITH LIMITED LIABILITY)*

**INTRODUCTION**

We have reviewed the condensed interim financial information set out on pages 12 to 44, which comprise the condensed consolidated balance sheet of China Infrastructure Investment Limited as of 30 June 2008 and the related condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and a summary of significant accounting policies and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion on the interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**SCOPE OF REVIEW**

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information as at 30 June 2008 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34.

**CCIF CPA Limited**  
*Certified Public Accountants*  
Hong Kong, 29 September 2008

**Betty P.C. Tse**  
Practising Certificate Number P03024

**CONDENSED CONSOLIDATED INCOME STATEMENT**

For the six months ended 30 June 2008

	Note	(Unaudited)	
		For the six months ended 30 June	
		2008	2007
		HK\$'000	HK\$'000
<b>Continuing operations</b>			
Turnover	3	81,730	9,511
Cost of sales		(63,227)	(8,091)
<b>Gross profit</b>		<b>18,503</b>	<b>1,420</b>
Other revenue	4	4,781	701
Other net income	5	6,353	3
Selling and distribution costs		(4,738)	–
Administrative expenses		(15,560)	(6,542)
		<b>(20,298)</b>	<b>(6,542)</b>
<b>Profit/(loss) from operations</b>		<b>9,339</b>	<b>(4,418)</b>
Finance costs	6(a)	(11,704)	(5,494)
Share of results of associates		28,081	37,664
		<b>16,377</b>	<b>32,170</b>
<b>Profit before taxation</b>	6	<b>25,716</b>	<b>27,752</b>
Taxation	7	(20)	–
<b>Profit for the period from continuing operations</b>		<b>25,696</b>	<b>27,752</b>
<b>Discontinued operation</b>			
Loss for the period from discontinued operation	9	(2,820)	(3,441)
<b>Profit for the period</b>		<b>22,876</b>	<b>24,311</b>
<b>Attributable to:</b>			
– Equity shareholders of the Company		25,120	24,304
– Minority interests		(2,244)	7
		<b>22,876</b>	<b>24,311</b>
		<b>HK cents</b>	<b>HK cents</b>
<b>Earnings per share</b>			
<b>Continuing and discontinued operations</b>			
– Basic earnings per share		<b>0.63</b>	<b>0.86</b>
– Diluted earnings per share		<b>0.61</b>	<b>0.71</b>
<b>Continuing operations</b>			
– Basic earnings per share		<b>0.70</b>	<b>0.98</b>
– Diluted earnings per share		<b>0.68</b>	<b>0.80</b>

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2008

	Note	(Unaudited) 30/6/2008 HK\$'000	(Audited) 31/12/2007 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Investment property		6,833	68,520
Property, plant and equipment	12	6,864	12,775
Properties under development	13	464,430	523,905
Interests in associates		729,009	730,443
		<b>1,207,136</b>	<b>1,335,643</b>
<b>CURRENT ASSETS</b>			
Trading securities		–	59
Inventories		–	7,391
Properties held for sale	14	352,391	384,243
Trade and other receivables	15	246,145	72,119
Cash and cash equivalents	16	177,312	102,182
		<b>775,848</b>	<b>565,994</b>
Assets classified as held for sale	17	425,637	314,276
<b>Total current assets</b>		<b>1,201,485</b>	<b>880,270</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	18	367,258	537,917
Interest-bearing borrowings, secured	19	206,945	253,375
		<b>574,203</b>	<b>791,292</b>
Liabilities associated with assets classified as held for sale	17	115,823	–
<b>Total current liabilities</b>		<b>690,026</b>	<b>791,292</b>
<b>NET CURRENT ASSETS</b>		<b>511,459</b>	<b>88,978</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,718,595</b>	<b>1,424,621</b>
<b>NON-CURRENT LIABILITIES</b>			
Convertible notes	20	177,194	171,412
Interest-bearing borrowings, secured	19	102,501	21,400
Provision for long service payments		–	594
Deferred tax liabilities		75,957	75,910
		<b>355,652</b>	<b>269,316</b>
<b>NET ASSETS</b>		<b>1,362,943</b>	<b>1,155,305</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	21	199,646	178,145
Reserves		1,062,370	873,989
<b>Total equity attributable to equity shareholders of the Company</b>		<b>1,262,016</b>	<b>1,052,134</b>
<b>Minority interests</b>		<b>100,927</b>	<b>103,171</b>
<b>TOTAL EQUITY</b>		<b>1,362,943</b>	<b>1,155,305</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

## For the six months ended 30 June 2008

	(Unaudited)								
	Attributable to equity shareholders of the Company								
	Share capital	Share premium	Capital redemption reserve	Convertible notes equity reserve	Exchange reserve	Retained profits	Total	Minority interests	Total equity
At 1 January 2008	178,145	570,563	69	35,703	3,088	264,566	1,052,134	103,171	1,155,305
Issue of ordinary shares upon placing of new shares	21,500	151,513	-	-	-	-	173,013	-	173,013
Issue of ordinary shares upon exercise of listed warrants	1	1	-	-	-	-	2	-	2
Exchange differences on translation of financial statements of foreign subsidiaries	-	-	-	-	11,747	-	11,747	-	11,747
Profit/(loss) for the period	-	-	-	-	-	25,120	25,120	(2,244)	22,876
<b>At 30 June 2008</b>	<b>199,646</b>	<b>722,077</b>	<b>69</b>	<b>35,703</b>	<b>14,835</b>	<b>289,686</b>	<b>1,262,016</b>	<b>100,927</b>	<b>1,362,943</b>

## For the six months ended 30 June 2007

	(Unaudited)									
	Attributable to equity shareholders of the Company									
	Share capital	Share premium	Capital redemption reserve	Convertible notes equity reserve	Exchange reserve	Warrant reserve	Retained profits	Total	Minority interests	Total equity
At 1 January 2007	141,541	414,398	69	17,119	(742)	4,950	162,593	739,928	273	740,201
Issue of ordinary shares upon exercise of unlisted warrants	1,600	9,984	-	-	-	(704)	-	10,880	-	10,880
Issue of ordinary shares upon exercise of listed warrants	1	2	-	-	-	-	3	-	3	
Issue of ordinary shares upon conversion of convertible notes	7,694	15,080	-	(4,280)	-	-	-	18,494	-	18,494
Exchange differences on translation of financial statements of foreign subsidiaries	-	-	-	-	626	-	-	626	-	626
Profit for the period	-	-	-	-	-	-	24,304	24,304	7	24,311
<b>At 30 June 2007</b>	<b>150,836</b>	<b>439,464</b>	<b>69</b>	<b>12,839</b>	<b>(116)</b>	<b>4,246</b>	<b>186,897</b>	<b>794,235</b>	<b>280</b>	<b>794,515</b>



**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***For the six months ended 30 June 2008*

	<i>Note</i>	<b>(Unaudited)</b>	
		<b>For the six months ended 30 June</b>	
		<b>2008</b>	<b>2007</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES</b>		<b>(57,145)</b>	<b>15,050</b>
<b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>		<b>23,450</b>	<b>24,574</b>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(15,167)</b>	<b>(1,319)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(48,862)</b>	<b>38,305</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		<b>102,082</b>	<b>35,395</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>		<b>1,391</b>	<b>621</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<i>16</i>	<b>54,611</b>	<b>74,321</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2008*

### **1. BASIS OF PREPARATION**

The interim condensed consolidated financial statements of China Infrastructure Investment Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) have been prepared in accordance with the applicable disclosure requirements of the Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorized for issuance on 29 September 2008.

The preparation of the interim condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

This condensed consolidated financial statements report contains condensed consolidated financial statements and selected explanatory notes, which 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 2007 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

This condensed consolidated financial statements are unaudited, but have been reviewed by the Audit Committee of the Company and the Company’s auditors, CCIF CPA Limited (“CCIF”) 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. CCIF’s independent review report to the board of directors is set out on page 11.

The financial information relating to the financial year ended 31 December 2007 included in these condensed consolidated interim financial statements does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2007 on which the auditors have expressed an unqualified opinion on those financial statements in their report dated 28 April 2008, are available from the Company’s registered office.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

**2. SIGNIFICANT ACCOUNTING POLICIES**

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 revalued amounts or fair values, as appropriate.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007.

In the current interim period, the Group has applied, for the first time, the following new interpretations 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 interpretations had no material effect on the results and financial position of the Group for the current and/or prior accounting periods. Accordingly, no prior period adjustment has been required.

**3. TURNOVER**

The Group is principally engaged in investment holding, property development, property investments and trading of leather products. The Group has ceased the sale of leather products following the disposal of the Pathway Group as set out in note 9. The amount of each significant category of revenue recognised in turnover during the periods is analysed as follows:

	<i>Note</i>	(Unaudited)	
		For the six months ended 30 June	
		2008	2007
		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Continuing operations:</b>			
Gross rental income from investment properties		621	392
Sale of properties held for sale		81,109	9,119
		<b>81,730</b>	9,511
<b>Discontinued operation:</b>			
Sale of leather products	9	26,852	30,455
		<b>108,582</b>	39,966

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

## 4. OTHER REVENUE

		(Unaudited)	
		For the six months ended 30 June	
		2008	2007
Note		HK\$'000	HK\$'000
<b>Continuing operations:</b>			
	Interest income from bank deposits	1,092	701
	Other interest income	3,689	–
		4,781	701
<b>Discontinued operation:</b>			
9	Interest income	11	–
	Rental income from operating leases other than those relating to investment properties	150	150
		161	150
		4,942	851

## 5. OTHER NET INCOME

		(Unaudited)	
		For the six months ended 30 June	
		2008	2007
Note		HK\$'000	HK\$'000
<b>Continuing operations:</b>			
	Foreign exchange gain	5,838	–
	Gain on disposal of investment properties	515	–
	Others	–	3
		6,353	3
<b>Discontinued operation:</b>			
9	Gain on disposal of property, plant and equipment	610	–
	Fair value gain on financial assets at fair value through profit or loss	32	–
	Reversal of provision for long service payments	67	–
	Write back of impairment loss of trade debtors	763	–
	Others	317	523
		1,789	523
		8,142	526

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

## 6. PROFIT BEFORE TAXATION

## (a) Finance costs

	<i>Note</i>	(Unaudited)	
		For the six months ended 30 June	
		2008	2007
		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Continuing operations:</b>			
Interest on bank loans and other borrowings wholly repayable within five years		13,531	8,911
Interest on convertible notes		6,806	2,581
Total borrowing costs		20,337	11,492
Less: Borrowing costs capitalised as cost of properties under development		(8,633)	(5,998)
		11,704	5,494
<b>Discontinued operation:</b>			
Interest on bank loans and other borrowings wholly repayable within five years	9	119	65
Finance charges on obligations under finance leases		25	1
		144	66
		11,848	5,560

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

**6. PROFIT BEFORE TAXATION** (Continued)**(b) Other items**

Profit before taxation is stated after charging/(crediting):

	Note	(Unaudited)	
		For the six months ended 30 June	
		2008	2007
		HK\$'000	HK\$'000
<b>Continuing operations:</b>			
Staff costs (including directors' remuneration):			
– Salaries, wages and other benefits		2,955	3,005
– Retirement benefits scheme contributions		41	53
Total staff costs		2,996	3,058
Direct costs		63,227	8,091
Depreciation of property, plant and equipment		1,530	196
<b>Discontinued operation:</b>			
	9		
Staff costs (including directors' remuneration):			
– Salaries, wages and other benefits		5,648	5,028
– Retirement benefits scheme contributions		76	92
– Reversal of long service payments		(67)	–
Total staff costs		5,657	5,120
Direct costs		20,277	22,508
Depreciation of property, plant and equipment			
– owned assets		710	646
– leased assets		75	–

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

## 7. TAXATION

Taxation in condensed consolidated income statement represents:

	(Unaudited)					
	For the six months ended 30 June					
	2008	2007	2008	2007	2008	2007
Continuing Operations	Discontinued operation		Total			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax						
– PRC enterprise income tax	–	–	17	–	17	–
Deferred tax	20	–	–	–	20	–
	20	–	17	–	37	–

Hong Kong profits tax was not provided for in the financial statements as the Group has no estimated assessable profit arising in Hong Kong during the six months ended 30 June 2008 and 2007.

PRC enterprise income tax is calculated at 25% (2007: 33%) of the estimated assessable profit of the Company's subsidiaries located in the PRC as determined in accordance with relevant tax rules and regulations in the PRC. Taxation arising in the jurisdictions other than the PRC is calculated at rates prevailing in the relevant jurisdictions. No provision for overseas taxation was made as there is no assessable profit arising in relevant jurisdictions.

Certain subsidiaries of the Company operating in the PRC are eligible for certain tax holiday and concession. The tax holiday and concession are normally in the form of two years tax exemption from the first profitable year, followed by a 50% reduction of the applicable tax rate in the following three years.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

**8. SEGMENT INFORMATION****(a) Business segments**

An analysis of the Group's unaudited segment revenue and results of business segments, which is its primary reporting format basis, is as follows:

	(Unaudited)		Total HK\$'000
	For the six months ended 30 June 2008		
	Continuing operations	Discontinued operation	
	Property development and investment HK\$'000	Trading of leather products HK\$'000	
Revenue from external customers	81,730	26,852	108,582
Segment results	8,043	(2,659)	5,384
Unallocated operating income and expenses	1,296	–	1,296
Profit/(loss) from operations	9,339	(2,659)	6,680
Finance costs	(11,704)	(144)	(11,848)
Share of results of associates	28,081	–	28,081
Profit/(loss) before taxation	25,716	(2,803)	22,913
Taxation	(20)	(17)	(37)
Profit/(loss) for the period	25,696	(2,820)	22,876

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

## 8. SEGMENT INFORMATION (Continued)

## (a) Business segments (Continued)

	(Unaudited)		Total HK\$'000
	For the six months ended 30 June 2007		
	Continuing operations	Discontinued operation	
	Property development and investment HK\$'000	Trading of leather products HK\$'000	
Revenue from external customers	9,511	30,455	39,966
Segment results	936	(3,375)	(2,439)
Unallocated operating income and expenses	(5,354)	–	(5,354)
Loss from operations	(4,418)	(3,375)	(7,793)
Finance costs	(5,494)	(66)	(5,560)
Share of results of associates	37,664	–	37,664
Profit/(loss) before taxation	27,752	(3,441)	24,311
Taxation	–	–	–
Profit/(loss) for the period	27,752	(3,441)	24,311

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

**8. SEGMENT INFORMATION** (Continued)**(b) Geographical segments**

In determining the Group's geographical segments, segment revenue is based on the location of the customers. An analysis of the Group's segment turnover for the period by geographical segment is as follows:

	(Unaudited)	
	For the six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
<b>Continuing operations:</b>		
Macau	81,352	9,511
Mainland China	378	–
	<b>81,730</b>	<b>9,511</b>
<b>Discontinued operation:</b>		
Hong Kong	13,580	14,620
Mainland China	12,332	15,186
Others	940	649
	<b>26,852</b>	<b>30,455</b>
	<b>108,582</b>	<b>39,966</b>

**9. DISCONTINUED OPERATION**

On 22 May 2008, the Company entered into an agreement with Peakway Holdings Limited, the minority shareholder of Pathway International Limited ("Pathway") to dispose of the Group's 50% interest in Pathway and assignment of the shareholder's loan owing by Pathway to the Company for HK\$3,000,000. Pathway and its subsidiaries (collectively the "Pathway Group") were engaged in trading of leather products. Further details of the disposal are set out in the Company's announcement and circular dated 22 May 2008 and 6 June 2008 respectively. Upon completion of the disposal on 3 July 2008, the Group discontinued the business of trading of leather products. This segment was a discontinued operation and the corresponding assets and liabilities of the disposal group were classified as held for sale as at 30 June 2008 and the comparative income statement has been re-presented to show the discontinued operation separately from continuing operations.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

**9. DISCONTINUED OPERATION** (Continued)

(a) The results of the discontinued operation for the period are as follows:

	Note	(Unaudited)	
		For the six months ended 30 June	
		2008	2007
		HK\$'000	HK\$'000
Turnover	3	26,852	30,455
Cost of sales	6	(20,277)	(22,508)
Gross profit		6,575	7,947
Other revenue	4	161	150
Other net income	5	1,789	523
Selling and distribution costs		(975)	(1,331)
Administrative expenses		(10,209)	(10,664)
Loss from operations		(2,659)	(3,375)
Finance costs	6(a)	(144)	(66)
Loss before taxation		(2,803)	(3,441)
Taxation	7	(17)	–
Loss for the period		(2,820)	(3,441)
Basic loss per share	10(c)	(0.07)	(0.12)
Diluted loss per share	10(c)	N/A	N/A

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

**9. DISCONTINUED OPERATION** (Continued)

(b) The cash flows of the discontinued operation for the period are as follows:

	(Unaudited)	
	For the six months ended 30 June	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (used in)/generated from operating activities	(3,658)	11,682
Net cash (used in)/generated from investing activities	(1,058)	122
Net cash generated from/(used in) in financing activities	4,651	(3,999)
Net cash (used in)/generated from discontinued operation	(65)	7,805

(c) The carrying amounts of the assets and liabilities of the discontinued operation have been disclosed as assets classified as held for sale and liabilities associated with assets classified as held for sale respectively and disclosed in note 17.

**10. EARNINGS PER SHARE****(a) From continuing and discontinued operations**(i) *Basic earnings per share*

The calculation of basic earnings per share is as follows:

	(Unaudited)	
	For the six months ended 30 June	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit attributable to equity shareholders of the Company</b>	<b>25,120</b>	<b>24,304</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

**10. EARNINGS PER SHARE** (Continued)**(a) From continuing and discontinued operations** (Continued)*(i) Basic earnings per share* (Continued)**Weighted average number of ordinary shares**

	Number of shares	
	2008	2007
Issued ordinary shares at 1 January	3,562,915,918	2,830,825,840
Effect of issuance of shares for the placing	411,098,901	–
Issued ordinary shares upon conversion of convertible notes into the Company's new ordinary shares	–	5,100,796
Effect of unlisted warrants exercised	–	856,353
Effect of listed warrants exercised	600	1,671
Weighted average number of ordinary shares at 30 June	<b>3,974,015,419</b>	2,836,784,660

*(ii) Diluted earnings per share*

The diluted earnings per share for the six months ended 30 June 2008 is calculated based on the profit attributable to the equity shareholders of the Company of HK\$26,566,000 (2007: HK\$26,885,000) and weighted average number of shares of 4,335,166,459 (2007: 3,774,479,839), calculated as follows:

**Profit attributable to equity shareholders of the Company (diluted)**

	(Unaudited)	
	For the six months ended 30 June	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to equity shareholders of the Company	25,120	24,304
After tax effect of effective interest on liability component of convertible notes	1,446	2,581
Profit attributable to equity shareholders of the Company	<b>26,566</b>	26,885

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

**10. EARNINGS PER SHARE** (Continued)**(a) From continuing and discontinued operations** (Continued)*(ii) Diluted earnings per share* (Continued)**Weighted average number of ordinary shares (diluted)**

	Number of shares	
	2008	2007
Weighted average number of ordinary shares at 30 June	3,974,015,419	2,836,784,660
Effect of deemed conversion of warrants	84,175,257	476,068,882
Effect of deemed conversion of convertible notes into the Company's new ordinary shares	276,975,783	461,626,297
Adjusted weighted average number of ordinary shares at 30 June	4,335,166,459	3,774,479,839

The conversion of the outstanding convertible notes due on 23 August 2012 was anti-dilutive during the period and was not included in the calculation of diluted earnings per share.

**(b) From continuing operations***(i) Basic earnings per share*

The calculation of basic earnings per share is as follows:

	(Unaudited)	
	For the six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
<b>Profit attributable to equity shareholders of the Company</b>	27,940	27,745

**Weighted average number of ordinary shares**

	Number of shares	
	2008	2007
(Same as weighted average number of ordinary shares for basic earnings per share for continuing and discontinued operations)	3,974,015,419	2,836,784,660



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

**10. EARNINGS PER SHARE** (Continued)**(b) From continuing operations** (Continued)*(ii) Diluted earnings per share*

The diluted earnings per share for the six months ended 30 June 2008 is calculated based on the profit attributable to the equity shareholders of the Company of HK\$29,386,000 (2007: HK\$30,326,000) and weighted average number of shares of 4,335,166,459 (2007: 3,774,479,839), calculated as follows:

**Profit attributable to equity shareholders of the Company (diluted)**

	(Unaudited)	
	For the six months ended 30 June	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to equity shareholders of the Company	<b>27,940</b>	27,745
After tax effect of effective interest on liability component of convertible notes	<b>1,446</b>	2,581
Profit attributable to equity shareholders of the Company	<b>29,386</b>	30,326

**Weighted average number of ordinary shares (diluted)**

	Number of shares	
	2008	2007
(Same as weighted average number of ordinary shares for diluted earnings per share for continuing and discontinued operations)	<b>4,335,166,459</b>	3,774,479,839

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

**10. EARNINGS PER SHARE** (Continued)**(c) From discontinued operation***(i) Basic loss per share*

The calculation of basic loss per share is as follows:

	(Unaudited)	
	For the six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
<b>Loss attributable to equity shareholders of the Company</b>	<b>(2,820)</b>	<b>(3,441)</b>
<b>Weighted average number of ordinary shares</b>		
	Number of shares	
	2008	2007
(Same as weighted average number of ordinary shares for basic earnings per share for continuing and discontinued operations)	<b>3,974,015,419</b>	2,836,784,660

*(ii) Diluted loss per share*

Diluted loss per share for the six months ended 30 June 2008 is not presented as the Company's outstanding warrants and convertible notes had anti-dilutive effect on the basic loss per share from discontinued operation.

**11. DIVIDENDS**

The board of directors does not recommend the payment of any interim dividend for the six months ended 30 June 2008 (2007: Nil).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

**12. PROPERTY, PLANT AND EQUIPMENT**

	<i>HK\$'000</i>
At 1 January 2008	12,775
Exchange alignment	718
Additions	3,378
Disposal	(38)
Depreciation charge	(2,315)
Transfer to assets classified as held for sale	(7,654)
	<hr/>
At 30 June 2008	6,864

**13. PROPERTIES UNDER DEVELOPMENT**

As at 30 June 2008, certain properties under development were pledged as securities for bank loans as detailed in note 24 to the condensed consolidated financial statements.

**14. PROPERTIES HELD FOR SALE**

As at 30 June 2008, none of properties held for sale were carried at net realisable value (31 December 2007: Nil).

**15. TRADE AND OTHER RECEIVABLES**

		(Unaudited)	(Audited)
		30/6/2008	31/12/2007
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade debtors less impairment	<i>(a)</i>	395	6,066
Payment for acquisition of a subsidiary	<i>(b)</i>	100,000	–
Loan receivables	<i>(c)</i>	117,584	53,558
Due from a related company		3	856
Due from a minority shareholder		23,277	896
Prepayments, deposits and other receivables		4,886	10,743
		<hr/>	
		246,145	72,119
		<hr/>	

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

**15. TRADE AND OTHER RECEIVABLES** (Continued)

- (a) Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date.

	(Unaudited) 30/6/2008 HK\$'000	(Audited) 31/12/2007 HK\$'000
Neither past due nor impaired	–	5,717
Less than 1 month past due	–	196
1 to 3 months past due	95	153
3 to 6 months past due	147	–
Over 6 months past due	153	–
	<b>395</b>	<b>6,066</b>

- (b) On 13 June 2008, the Company entered into an agreement with an independent third party to purchase the entire issued share capital of Finest Gain Investments Limited (“Finest Gain”), an investment holding company incorporated in the British Virgin Islands for HK\$200,000,000. Finest Gain indirectly hold 100% interest in Yan Cheng Feng Ji New Energy Limited, a company incorporated in the PRC which is engaged in production and supply of electricity and heat by recycling of agricultural wastes. The Company has made partial payment of consideration of HK\$100,000,000. As at 30 June 2008, the balance of HK\$100,000,000 will be made in accordance with the terms of the agreement on or before the completion and has been disclosed as capital commitment in note 23 to the condensed consolidated financial statements. Details of the acquisition have been set out in the Company’s announcement and circular dated 18 June 2008 and 9 July 2008 respectively.

- (c) The loan receivables are unsecured and bear interest at 8% per annum.

**16. CASH AND CASH EQUIVALENTS**

	(Unaudited) 30/6/2008 HK\$'000	(Audited) 31/12/2007 HK\$'000
Cash and cash equivalents in the balance sheet	177,312	102,182
Less: Pledged bank deposits (note 24)	(122,701)	(100)
Cash and cash equivalents in the consolidated cash flow statement	<b>54,611</b>	<b>102,082</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

## 17. ASSETS CLASSIFIED AS HELD FOR SALE

- (i) On 19 April 2008, the Company entered into an agreement with Mr. Ung Sio Hong, a related party to dispose of its entire equity interest and shareholders' loan in Parsinno International Limited ("Parsinno"), a wholly-owned subsidiary of the Group. Parsinno held 51% interest in Son Pou Real Estate Company Limited ("Son Pou") which is engaged in a property development project in the amount of HK\$75,635,000, which is pledged to secure general banking facilities granted to Son Pou, in Macau. The assets and liabilities of Parsinno and its subsidiaries are presented as disposal group following the commitment of the Group's management to sell the shares on 19 April 2008. The disposal has been completed on 18 July 2008.
- (ii) On 16 April 2008, Continental Ocean Investment and Development Company Limited ("CIDCOL"), a company which is owned as to 55% and 45% by the Company's wholly-owned subsidiary and connected persons and their associates respectively, entered into a sale and purchase agreement with an independent third party to dispose of its property under development with a carrying value of approximately HK\$315,000,000 for a total consideration of HK\$530,000,000. The directors of the Company considered that the disposal could reduce the Group's bank borrowings and further enhance the liquidity of the Group. The completion is scheduled on or before 31 October 2008, therefore, the property under development was classified as assets held for sale.

At 30 June 2008, the property under development was pledged to secure general banking facilities granted to CIDCOL.

- (iii) On 22 May 2008, the Company entered into an agreement to dispose of Pathway International Limited, a 50% subsidiary of the Group and discontinued its trading of leather product operation, details of which are set out into notes 9 and 22(h) to the condensed consolidated financial statements. The disposal has been completed on 3 July 2008.

All the assets and liabilities in relation to the above disposals are disclosed as assets classified as held for sale and liabilities associated with assets classified as held for sale as follows:

## Assets classified as held for sale

	(Unaudited)		
	30/6/2008		
	Continuing operations	Discontinued operation	Total
	HK\$'000	HK\$'000	HK\$'000
Property, plant and equipment	–	7,654	7,654
Property under development	390,640	–	390,640
Inventories	–	9,460	9,460
Trading securities	–	92	92
Trade and other receivables	–	14,284	14,284
Cash and cash equivalents	350	3,157	3,507
	<b>390,990</b>	<b>34,647</b>	<b>425,637</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

## 17. ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

## Liabilities associated with assets classified as held for sale

	(Unaudited) 30/6/2008		Total HK\$'000
	Continuing operations HK\$'000	Discontinued operation HK\$'000	
Trade and other payables	20,549	50,566	71,115
Interest-bearing borrowings, secured	37,400	6,781	44,181
Provision for long service payments	–	527	527
	57,949	57,874	115,823

The operating results of the discontinued operation were disclosed in note 9 to the condensed consolidated financial statements. The results of the continuing operations of the above disposal group for the six months ended 30 June 2008 are as follows:

	(Unaudited) HK\$'000
Revenue	4
Expenses	(54)
Loss from operations	(50)
Finance costs	(863)
Loss before taxation	(913)
Taxation	–
Loss for the period	(913)

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

## 18. TRADE AND OTHER PAYABLES

	<i>Note</i>	(Unaudited) 30/6/2008 HK\$'000	(Audited) 31/12/2007 HK\$'000
Trade creditors	(a)	33,203	7,118
Bills payable, secured	24	62,640	–
Accruals and other payables		44,315	49,464
Due to a director		1,200	1,200
Due to minority shareholders		94,655	306,947
Due to related companies		12,523	171,657
Other loans	(b)	118,722	1,531
		<b>367,258</b>	<b>537,917</b>

- (a) Included in trade and other payables are trade creditors with the following ageing analysis as of the balance sheet date.

	(Unaudited) 30/6/2008 HK\$'000	(Audited) 31/12/2007 HK\$'000
Due within 30 days or on demand	–	3,752
Due within 31 days to 60 days	7	390
Due within 61 days to 90 days	–	50
Due over 90 days	33,196	2,926
	<b>33,203</b>	<b>7,118</b>

- (b) The other loans bearing interest at 2.5% to 8% per annum of which HK\$117,173,000 was guaranteed by a minority shareholder of the Group.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

**19. INTEREST-BEARING BORROWINGS, SECURED**

	(Unaudited) 30/6/2008 HK\$'000	(Audited) 31/12/2007 HK\$'000
Bank loans, secured	309,446	274,190
Trust receipt loans, secured	–	585
Total borrowings	309,446	274,775
Portion classified as:		
Current	(206,945)	(253,375)
Non-current	102,501	21,400

**20. CONVERTIBLE NOTES****The Group and the Company**

- (a) On 28 April 2006, the Company issued HK\$91,094,000 convertible notes (“2011 convertible notes”) redeemable within 5 years from the date of issue. The notes bear interest at 2.5% per annum and are unsecured. The holders of the notes have the right at any time after the issue of the notes to convert any outstanding amount of the notes into the shares of the Company at the conversion price of HK\$0.148 per share (subject to adjustment) until 27 April 2011.
- (b) On 24 August 2007, the Company further issued HK\$160,000,000 convertible notes (“2012 convertible notes”) redeemable within 5 years from the date of issue. The notes bear interest at 2.5% per annum and are unsecured. The holders of the notes have the right at any time after the issue of the notes to convert any outstanding amount of the notes into the shares of the Company at the conversion price of HK\$0.3 per share (subject to adjustment) until 23 August 2012.
- (c) The convertible notes contain two components, namely, a liability component and an equity component. The equity element is presented in equity under the heading “convertible notes – equity reserves”. The effective interest rate of the liability component of 2011 convertible notes and 2012 convertible notes are 7.094% and 6.738% respectively.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

## 20. CONVERTIBLE NOTES (Continued)

## The Group and the Company (Continued)

(d) The movement of the liability component of the convertible notes for the period is set out below:

	(Unaudited) 2008 HK\$'000	(Audited) 2007 HK\$'000
Balance at the beginning of the period/year		
Proceeds of issue	207,115	254,646
Equity component	(35,703)	(45,118)
Liability component at 1 January	171,412	209,528
Interest charged	6,806	5,073
Interest paid	(1,024)	(2,503)
Conversion during the period/year	–	(40,686)
Liability component at 30 June/31 December	177,194	171,412

## 21. SHARE CAPITAL

	Note	(Unaudited) 30/6/2008		(Audited) 31/12/2007	
		Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Authorised:					
Ordinary shares of HK\$0.05 each	(a)	10,000,000	500,000	5,000,000	250,000
Issued and fully paid:					
Ordinary shares of HK\$0.05 each					
At 1 January		3,562,916	178,145	2,830,826	141,541
Issue of shares by a placement	(b)	430,000	21,500	–	–
Issue of new shares for acquisition of subsidiaries		–	–	129,342	6,467
Issue of shares upon conversion of convertible notes into the Company's new shares		–	–	338,522	16,926
Issue of shares upon exercise of warrants	(c)	5	1	264,226	13,211
At 30 June/31 December		3,992,921	199,646	3,562,916	178,145

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

## 21. SHARE CAPITAL (Continued)

Note:

- (a) As announced by the Company dated 14 January 2008, the authorised share capital of the Company was increased from HK\$250,000,000 divided into 5,000,000,000 shares to HK\$500,000,000 divided into 10,000,000,000 shares. The new shares upon issue shall rank pari passu with the existing shares.
- (b) Reference was made to the announcement of the Company dated 20 December 2007, the increase in issued share capital was due to the placing of 430,000,000 new shares of HK\$0.05 each in the capital of the Company at HK\$0.41 per placing share. The placing was completed on 9 January 2008. The new shares were issued to rank pari passu with the existing shares.
- (c) Warrants

Movements in Warrants:

	Date of issue	At 1/1/2007	Number of Warrants				
			Adjustment arising from adjusted exercise prices	Exercised during the year	At 31/12/2007	Exercised during the period	At 30/6/2008
2007 Warrant	21/7/2005	225,000,000	–	(225,000,000)	–	–	–
2009 Warrant	7/6/2006	283,079,284	10,035,227	(39,225,876)	253,888,635	(5,200)	253,883,435

Terms of unexpired and unexercised Warrants at the balance sheet date:

	Date of issue	Exercisable period	Number of Warrants	
			30/6/2008 (Unaudited)	31/12/2007 (Audited)
2009 Warrant	7/6/2007	7/6/2007 – 6/6/2009	253,883,435	253,888,635

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2008*

### 22. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these condensed consolidated financial statements, the Group had the following material transactions with its related parties during the six months ended 30 June 2008:

- (a) During the six months ended 30 June 2008, Pan-China Construction Group Limited provided construction services to a subsidiary of the Group for HK\$27,325,000.
- (b) Mr. Lee Sam Yuen, John, a director of a subsidiary, provided personal guarantee of HK\$100 million (As at 31 December 2007: HK\$100 million) to a bank to secure general banking facilities granted to a subsidiary of the Company, for which no charge is made.
- (c) Mrs. Lee Shiao Yu Cho, a close family member of Mr. Lee Sam Yuen, John, provided personal guarantee of HK\$100 million (As at 31 December 2007: HK\$100 million) to a bank to secure general banking facilities granted to a subsidiary of the Company, for which no charge is made.
- (d) The Group has leased certain properties from D. H. International Limited, a related company owned by a foundation which Mrs. Lee Shiao Yu Cho and Mr. Lee Sam Yuen, John, are beneficiaries, at an aggregate monthly rental of HK\$107,000 (Period ended 30 June 2007: HK\$107,000). Total rental paid during the period and deposit paid at balance sheet date amounted to HK\$642,000 (Period ended 30 June 2007: HK\$642,000) and HK\$218,000 (As at 31 December 2007: HK\$218,000) respectively.

In addition to the above, D. H. International Limited has provided all monies mortgage over six properties (As at 31 December 2007: six) at balance sheet date to a bank to secure general banking facilities granted to a subsidiary of the Company.

- (e) During the six months ended 30 June 2008, the Group sold goods amounting to HK\$140,000 (Period ended 30 June 2007: HK\$463,000) to a company owned by a close family member of Ms. Ng Fung Ying, a director of a subsidiary of the Company.
- (f) As disclosed in the announcement issued on 2 January 2008, Super Times Far East Limited, a wholly-owned subsidiary of the Company entered into an agreement with Cheer Up Investments Limited (“Cheer Up”), which is wholly owned by Mr. Law Kar Po, the Chairman and Executive Director as well as a shareholder of the Company, to dispose of 12 residential units at various floors and 12 car parking spaces of Edificio Chu Kuan Mansion (珠光大厦) located in Macau to Cheer Up for approximately HK\$39,109,000. The disposal was completed on 7 April 2008.
- (g) Reference was made to the announcement dated 22 April 2008, the Group entered into a provisional sale and purchase agreement with Mr. Ung Sio Hong, an associate of a connected person of the Company to dispose its entire interest in Parsinno International Limited (“Parsinno”), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary. Parsinno owns 51% equity interest of Son Pou Real Estate Company Limited (“Son Pou”). The major asset of Son Pou is the property located in Macau. According to the provisional agreement, the consideration for the disposal of Parsinno is HK\$37,026,000. The purchaser will take up the relevant mortgage loan for the property under development of not more than HK\$37,400,000. The Group expects to realise a disposal gain, subject to audit, of approximately HK\$19,000,000.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

### 22. RELATED PARTY TRANSACTIONS (Continued)

- (h) As disclosed in the announcement issued on 22 May 2008, the Group disposed of its entire 50% interest in Pathway International Limited (“Pathway”), a company incorporated in the British Virgin Islands with limited liability. Pathway and its subsidiaries as collectively “Pathway Group”, are principally engaged in the trading of finished leather. The Company entered into a sale and purchase agreement with Peakway Holdings Limited, a company incorporated in British Virgin Islands and is beneficially wholly-owned by Mr. Lee Sam Yuen, John, a substantial shareholder of Pathway on 22 May 2008. Pursuant to the agreement, the consideration for the disposal of Pathway and the assignment of the relevant shareholder’s loan of approximately HK\$31,200,000 due by Pathway to the Company is HK\$3,000,000. The Group expects to realise a disposal gain, subject to audit, of approximately HK\$27,000,000.

- (i) Reference is made to the announcement of the Company dated 15 February 2008, Mr. Gao Feng was appointed as an executive director of the Company effective from 14 February 2008.

Before the date of appointment, Central Bingo Group Limited (“Central Bingo”), a wholly-owned subsidiary of the Company entered into a management agreement with ACE Channel Limited (“ACE”) on 13 October 2007. Mr. Gao is the director and the sole shareholder of ACE. Pursuant to the management agreement, ACE agreed to provide project management services in connection with the development, marketing and sale of a property development project in Shenyang, the PRC for a basic service fee of HK\$500,000 per month for a term of three years from 13 October 2007 to 12 October 2010. The total management fee paid to ACE for the period from 14 February 2008 to 30 June 2008 was approximately HK\$2,250,000. In addition, the Group shall pay ACE a profit equal to 5% of the net profit after tax of Central Bingo when Central Bingo receiving all the proceeds upon completion of the project.

- (j) During the year, Pan-China Construction Group Limited issued a guarantee for loans obtained by a subsidiary for no charge. The details of the loans are disclosed in note 18(b) to the condensed consolidated financial statements.
- (k) During the six months ended 30 June 2008, Shenyang Pan-China Business Management Limited, a subsidiary of a minority shareholder provided management services to Pan-China (Shenyang) Real Estate Development Limited (“Pan-China (Shenyang)”), a subsidiary of the Company, for HK\$849,000.
- (l) Pan-China (Shenyang) obtained a loan of RMB50,000,000 (the “Loan”) from HSBC Bank (China) Company Limited, Shenyang Branch since the early of April 2008. The Loan was secured by a bank deposit of HK\$60,000,000 placed by the Company’s subsidiary with The Hongkong and Shanghai Banking Corporation Limited in Hong Kong as well as the corporate guarantee issued by the Company.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

## 23. COMMITMENTS

- (a) Capital commitments outstanding at 30 June 2008 not provided for in the financial statements were as follows:

	(Unaudited) 30/6/2008 HK\$'000	(Audited) 31/12/2007 HK\$'000
Commitments for		
– contracted for the acquisition of subsidiaries	100,000	–
– contracted but not provided for the acquisition of property, plant and equipment and project development	1,095,177	1,033,473
	<u>1,195,177</u>	<u>1,033,473</u>

- (b) At 30 June 2008, the total future minimum lease payments under non-cancellable operating leases in respect of properties were payable as follows:

- (i) As lessee

At 30 June 2008, the Group had total outstanding commitments for future minimum lease payable under non-cancellable operating lease in respect of properties, plant and equipment which fall due as follows:

	(Unaudited) 30/6/2008 HK\$'000	(Audited) 31/12/2007 HK\$'000
Within one year	952	2,794
After 1 year but within 5 years	119	2,071
	<u>1,071</u>	<u>4,865</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

**23. COMMITMENTS** (Continued)

- (b) At 30 June 2008, the total future minimum lease payments under non-cancellable operating leases in respect of properties were payable as follows: (Continued)

- (ii) As lessor

At 30 June 2008, the Group had total future minimum lease receivable under non-cancellable operating leases falling due as follows:

	(Unaudited) 30/6/2008		Audited 31/12/2007	
	Investment properties HK\$'000	Others HK\$'000	Investment properties HK\$'000	Others HK\$'000
Within one year	911	–	645	650
After 1 year but within 5 years	3,770	–	2,871	–
After 5 years	15,660	–	–	–
	<b>20,341</b>	<b>–</b>	<b>3,516</b>	<b>650</b>

The Group leased out the investment properties under an operating lease with a lease term of 20 years.

**24. PLEDGE OF ASSETS**

As at 30 June 2008, the Group pledged the following assets to secure the bills payable (note 18) and bank loans (note 19) of the Group:

	(Unaudited) 30/6/2008 HK\$'000	(Audited) 31/12/2007 HK\$'000
Investment property	–	62,100
Land use rights portion of the investment property, properties under development and properties held for sale	152,708	143,470
Properties under development	–	75,635
Properties held for sale	–	61,889
Assets classified as held for sale	390,640	314,276
Bank deposits	122,701	100
	<b>666,049</b>	<b>657,470</b>



**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30 June 2008***25. POST BALANCE SHEET EVENTS****(a) Disposal of subsidiaries**

- (i) On 19 April 2008, the Company entered into an agreement with Mr. Ung Sio Hong, a related party to dispose of its entire equity interest and shareholders' loan in Parsinno International Limited ("Parsinno"), a wholly-owned subsidiary of the Group, details of which are set out in notes 17(i) and 22 to the condensed consolidated financial statements. The disposal was completed on 18 July 2008. The Group expects to realise a disposal gain, subject to audit, of approximately HK\$19,000,000.
- (ii) On 22 May 2008, the Company entered into an agreement to dispose of Pathway International Limited, a 50% subsidiary of the Group and discontinued its trading of leather product operation, details of which are set out in notes 9 and 22 to the condensed consolidated financial statements. The disposal was completed on 3 July 2008. The Group expects to realise a disposal gain, subject to audit, of approximately HK\$27,000,000.

**(b) Acquisition of subsidiaries**

Reference was made to the announcement dated 13 June 2008, the Company entered into an agreement with an independent third party, to acquire the entire interest in Finest Gain Investments Limited for HK\$200,000,000, details of which are set out in note 15(b) to the condensed consolidated financial statements. The acquisition will be completed on or before 31 October 2008.

**(c) Acquisition of a property**

On 25 July 2008, the Company entered a provisional agreement to acquire a property located at 29th Floor, The Sun's Group Centre, No. 200 Gloucester Road, Hong Kong from Wellyet Limited, a company wholly-owned by Mr. Law Kar Po, the chairman and an executive director of the Company. The consideration for the acquisition is HK\$81,268,000. The transaction was completed on 17 September 2008.

**(d) Disposal of property under development**

On 16 April 2008, Continental Ocean Investment and Development Company Limited ("CIDCOL"), a 55% owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party to dispose of its property under development, details of which are set out into note 17(ii) to the condensed consolidated financial statements. The disposal is scheduled to complete on or before 31 October 2008.

**(e) Adoption of new share option scheme**

On 11 July 2008, the Company adopted a share option scheme for a period of 10 years whereby the directors of the Company were authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company. The details of the share option scheme have been disclosed in the Company's circular dated 23 June 2008.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

**26. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING PERIOD ENDED 30 JUNE 2008**

Up to the date of issue of this interim financial report, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period ended 30 June 2008 and which have not been adopted in this interim financial report.

		<b>Effective for accounting periods beginning on or after</b>
HKAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations	1 January 2009
HKFRS 3 (Revised)	Business Combinations	1 July 2009
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC) – Int 13	Customer Loyalty Programmes	1 July 2008
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate	1 January 2009
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operaton	1 October 2008

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.