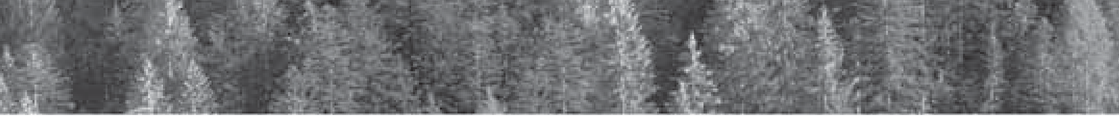
中國興業控股有限公司

China Investments Holdings Limited | Interim Report 2009

(Incorporated in Bermuda with limited liability)

(Stock Code: 132)



CORPORATE INFORMATION

Executive Directors	You Guang Wu (Chairman) Su Wenzhao (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 Fulcrum Group (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 Ltd.
Solicitors	Woo, Kwan, Lee & Lo Guangdong Weonline 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 2009, the Group's turnover was HK$149,304,000, a decrease of 30.6% over the same period last year and operating loss of HK$58,224,000, taking into account of the total of impairment loss in respect of properties and on property, plant and equipment amounting to HK$46,945,000 was recorded during the year.

BUSINESS REVIEW

Fibreboard Business

Under the impact of the global financial crisis, export of furniture experienced a sharp fall, which, in turn, gave rise to weaker sales of medium density fibreboard. For the period ended 30 June 2009, total sales of medium density fibreboard were 109,975 cubic metres in volume terms and HK$139,841,000 in money terms respectively, representing a respective decrease of 27.9% and 31.2% over the corresponding period last year. For the first half of 2009, our fibreboard manufacturing operation recorded an operating loss of HK$33,360,000. There are three main factors contributing to the loss. Firstly, considering the persistently shrinking market of veneer, the Board resolved not to re-start the veneer manufacturing operation. Due to impact of the financial tsunami and the rapidly deteriorating economy, and in order to enhance operation efficiency, the Group rationalized its operations and provided for impairment of the manufacturing equipment which has low efficiency. As a result, an impairment on production equipment of HK$30,785,000 was recognized during the period. Secondly, as the VAT rebate concession had expired, income from VAT rebate during the period was HK$359,000, down from HK$11,258,000. Thirdly, the dampened market was to be blamed for the significantly low utilization rate and a substantial loss for the first quarter of this year. Through such measures as lowering costs, improving product quality and innovating technology as well as equipment, the Group has returned to profitability in the second quarter and posted gains month-by-month. To meet the global demand for environment-friendly products, the Group obtained California CARB certification during the period and is now qualified for manufacturing CARB-compliant medium density fibreboards, clearing the way for diversifying into overseas markets.

As at the date of this interim report, on 23 April 2009 and 14 July 2009, Nanhai Heng Da Timber Company Limited ("Heng Da"), the Group's wholly-owned subsidiary which has ceased operation, received "List of sealed and detained properties" issued by the Intermediate People's Court of Nanhai District, Foshan, Guangdong, for the sealing of the machinery, equipment and plants of Heng Da for manufacturing veneer with net book value of approximately RMB4,472,000 (approximately HK$5,076,000). In the Directors' opinion, the relevant machinery, equipment and plants have no impact on the operation of the Group, and the related payables have been accounted for in the financial statements.

Hotel Business

Apart from the financial tsunami, the H1N1 global pandemic that has significantly reduced foreign visitor arrivals has also impacted our hotel operation. The management timely adjusted its sales strategies by actively attracting local customers. As a result, the proportion of local customers for the first half of 2009 increased by 96% over the corresponding period last year. As visitors from abroad remain the major source of customers for Guilin Plaza, the rapid increase in local customers still could not compensate for the decrease of foreign customers. As such, occupancy rate for the first half of the year fell by 11.7% over the same period last year. Given the adjustment to customer structure and the fierce competition in the tourism industry in Guilin, average room rate for the first half of 2009 fell by 21.2% over the corresponding period last year. The above two main factors are responsible for bringing an operating loss of HK$4,093,000 to our hotel operations.

Property Investment

The Group's overall rental incomes for the first half of the year amounted to HK$589,000, representing an increase of 15.3% over the same period last year. The occupancy rate for the period was 38.7%, representing an increase of 4.8% over the same period last year.

Financial Position

As at 30 June 2009, the Group had total assets of HK$676,923,000 (31 December 2008: HK$767,877,000) and bank loans of HK$5,675,000 (31 December 2008: HK$22,727,000). Net assets of the Group amounted to HK$512,785,000 (31 December 2008: HK$580,313,000). The gearing ratio (being bank loans divided by total assets) was 0.8% (31 December 2008: 2.96%). Net assets per share amounted to HK43.2 cents (31 December 2008: HK48.83 cents).

The Group's net current assets amounted to HK$113,543,000 (31 December 2008: HK$140,280,000), current ratio (being current assets divided by current liabilities) was approximately 1.69 times (31 December 2008: 1.75 times), while bank deposits and cash amounted to HK$113,806,000 (31 December 2008: HK$110,993,000), which is sufficient to meet the capital requirements of the Group's operations and development in the near future.

PLEDGE OF ASSETS

The land use rights of the Group are pledged as security for a bank loan which amounted to approximately HK$5,675,000 (2008: HK$22,727,000).

FOREIGN EXCHANGE EXPOSURE

The Group mainly earned revenue and incurred cost in Renminbi and Hong Kong Dollar. The effect of exchange rate fluctuation on earned revenue and incurred cost would offset each other in the business operation of the Group. In past several years, the exchange rate of Renminbi to Hong Kong Dollars kept on increasing till the second half of 2008 when it became stable. The directors expect that the exchange rate of Renminbi will remain stable and will not cause material adverse foreign exchange risk on the Group. Therefore, the Group currently does not have any specific foreign exchange risk hedging need for this matter.

OUTLOOK

Looking forward into the second half of the year, it is expected that the gradual recovery of the global economy together with the PRC's measures for stimulating domestic demand taking effect will have positive impact on our medium density fibreboard manufacturing business and hotel operation. Subsequent to the balance sheet date, the Group enjoyed initial success in capturing the export market of fibreboard. The comprehensive hotel renovation project is expected to be completed by March next year thereby laying a solid foundation for the Group's future development. However, whether the global economy is bottoming out is still uncertain and the environment for medium density fibreboard manufacturing business remains difficult. Moreover, as awareness of environment protection has been growing stronger, both at home and abroad, requirements for environment-friendly production process and end-products have become increasingly demanding. This may result in rising production costs. On the other hand, our medium density fibreboard manufacturing business may enhance competitiveness by promoting a green production process and launching environment-friendly products. Therefore, the Group is cautiously optimistic about business performance for the coming future.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2009, 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	% of total issued share capital as at 30 June 2009
Wang Jin Yuan	2,800,000	Beneficial Owner	0.24%

Save as disclosed above, as at 30 June 2009, none of the Directors, or their associates, had any interests in any securities of the Company or any of its associated corporation.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2009, 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*	**Capacity**	**Approximate percentage (in aggregate) of total issued share capital as at 30 June 2009**
佛山市南海聯達投資（控股）有限公司 (Foshan Nanhai Lian Da Investment (Holding) Co., Ltd.*)	203,703,703	1	Beneficial owner/ Corporation	17.14%
Leung Siu Fai	151,610,779	2	Corporation	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	Beneficial owner	10.26%

* *For identification purpose only*

Notes:

1. These interests were disclosed by 佛山市南海聯達投資(控股)有限公司 (Foshan Nanhai Lian Da Investment (Holding) Co., Ltd.*) 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 Nanhai Lian Da Investment (Holding) Co., Ltd.*).

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

3. These 121,864,487 shares were held by Nam Keng Van Investment Co. Ltd. which was wholly-owned equally by Mr. Cui Guo Jian and Mr. Pu Jian Qing.

4. The convertible notes issued by the Company were due on 9 May 2007. Most of them were either converted into shares of the Company or repaid in cash. Those portion which were neither converted into shares nor repaid in cash was reflected as current liabilities in the balance sheet. The derivative interests in connection therewith as previously reported were accordingly ceased.

Save as disclosed above, as at 30 June 2009, no other parties were recorded in the register as having an interest in 5% or more of the issued share capital of the Company.

DISCLOSURE OF INFORMATION REGARDING DIRECTORS

Pursuant to rule 13.51B(1) of the Listing Rules, the change and updated information regarding directors of the Company is as follows:

1. Mr. You Guang Wu has a service agreement with the Company for a term of three years until 31 January 2011 at an annual remuneration of HK$1,244,000 with discretionary bonus.

2. The annual remuneration of Mr. Su Wenzhou is HK$1,080,000 with discretionary bonus.

3. The term of service of Mr. Chen Da Cheng is two years until 21 September 2010 and his director's fee is RMB70,000 per annum.

4. The term of service of Mr. Deng Hong Ping is two years until 5 April 2010 and his director's fee is RMB70,000 per annum.

INTERIM DIVIDEND

The Board does not declare interim dividend for the six months ended 30 June 2009 (2008: 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 983. The remuneration of each employee of the Group is determined on the basis of his or her responsibility and performance. The Group provides education allowances to the employees.

CORPORATE GOVERNANCE

The Company placed great emphasis in corporate governance, and reviewed and strengthened measures in corporate governance from time to time. The Company has adopted all the code provisions under the Code on Corporate Governance Practices (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 the six months ended 30 June 2009.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

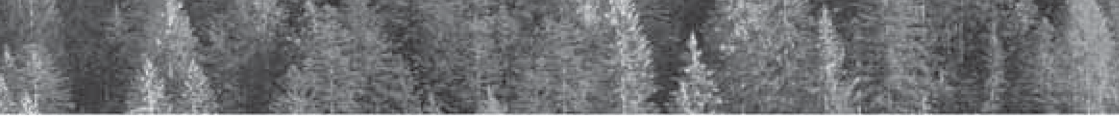
The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. On specific enquiries made, all Directors have confirmed that, in respect of the six months ended 30 June 2009, they have complied with the required 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 2009.

By Order of the Board
You Guang Wu
Chairman

Hong Kong, 10 September 2009



CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2009

	Notes	Six months ended 30 June	
		2009	2008
		HK$'000	HK$'000
		(unaudited)	*(unaudited)*
Turnover	*4*	**149,304**	215,153
Cost of sales and services		**(136,612)**	(196,703)
Gross profit		**12,692**	18,450
Other incomes	*5*	**2,148**	29,048
Selling and distribution costs		**(277)**	(273)
Administrative expenses		**(26,512)**	(23,121)
Increase/(decrease) in fair value on investment properties		**1,250**	(39)
Impairment loss on property, plant and equipment		**(30,785)**	–
Impairment loss in respect of properties held for sale		**(17,410)**	(4,661)
Finance costs		**(549)**	–
(Loss)/profit before taxation		**(59,443)**	19,404
Income tax credit/(expense)	*6*	**1,219**	(2,588)
(Loss)/profit for the period	*7*	**(58,224)**	16,816
Other comprehensive (expense)/income			
Exchange differences arising on translation of foreign operations		**(60)**	(303)
(Deficit)/surplus on revaluation of hotel properties		**(9,244)**	3,368
Other comprehensive (expense)/ income for the period		**(9,304)**	3,065
Total comprehensive (expense)/ income for the period		**(67,528)**	19,881
(Loss)/earnings per share	*9*		
Basic		**(HK4.90 cents)**	HK1.42 cents
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2009

	Notes	30.6.2009 HK$'000 (unaudited)	31.12.2008 HK$'000 (audited)
Non-current Assets			
Investment properties	*10*	**11,301**	10,051
Property, plant and equipment	*10*	**244,839**	287,150
Land use rights	*11*	**53,222**	52,952
Goodwill	*12*	**89,880**	89,880
		399,242	440,033
Current Assets			
Properties held for sale		**69,639**	87,049
Inventories		**63,127**	77,259
Trade and other receivables	*13*	**30,148**	52,301
Financial assets at fair value through profit or loss		**961**	242
Bank balances and cash		**113,806**	110,993
		277,681	327,844
Current Liabilities			
Trade and other payables	*14*	**158,160**	162,657
Tax payable		**303**	2,180
Secured bank loan	*15*	**5,675**	22,727
		164,138	187,564
Net Current Assets		**113,543**	140,280
		512,785	580,313
Capital and Reserves			
Share capital	*16*	**118,833**	118,833
Reserves		**393,952**	461,480
		512,785	580,313

CONDENSED STATEMENT OF CHANGES IN EQUITY

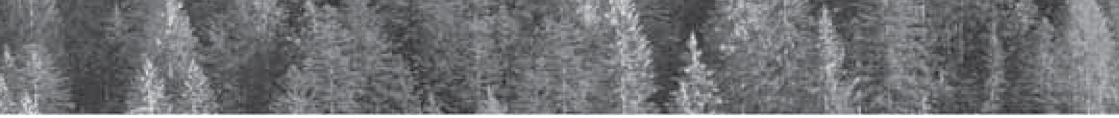
For the six months ended 30 June 2009

	Share capital HK$'000	Share premium HK$'000	Statutory reserve HK$'000	Hotel property revaluation reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2008	118,833	484,159	21,161	63,390	(54,121)	(76,439)	556,983
Surplus on revaluation of hotel properties	–	–	–	6,828	–	–	6,828
Release of revaluation reserve of hotel properties	–	–	–	(3,381)	–	3,381	–
Exchange differences arising on translation of foreign operations	–	–	–	–	(613)	–	(613)
Profit for the year	–	–	–	–	–	17,115	17,115
At 31 December 2008 and 1 January 2009	118,833	484,159	21,161	66,837	(54,734)	(55,943)	580,313
Deficit on revaluation of hotel properties	–	–	–	(9,244)	–	–	(9,244)
Release of revaluation reserve of hotel properties	–	–	–	(1,857)	–	1,857	–
Exchange differences arising on translation of foreign operations	–	–	–	–	(60)	–	(60)
Loss for the period	–	–	–	–	–	(58,224)	(58,224)
At 30 June 2009	118,833	484,159	21,161	55,736	(54,794)	(112,310)	512,785

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	HK$'000	HK$'000
	(unaudited)	*(unaudited)*
Net cash generated from operating activities	**28,377**	6,857
Net cash used in investing activities	**(8,455)**	(6,316)
Net cash used in financing activities	**(17,052)**	–
Net increase in cash and cash equivalents	**2,870**	541
Cash and cash equivalents at beginning of period	**110,993**	223,932
Effect of foreign exchange rate changes	**(57)**	7,482
Cash and cash equivalents at end of period, represented by bank balances and cash	**113,806**	231,955



NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

1. BASIS OF PREPARATION

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

2. PRINCIPAL 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 fair values or revalued amounts, as appropriate.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2008.

The accounting policies used in the preparation of this interim condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 December 2008, except that the Group has applied for the first time the following new and revised Hong Kong Financial Reporting Standards (the "new HKFRSs") (which include individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on or after 1 January 2009:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing costs
HKAS 32 & 1 Amendments	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 Amendments	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 Amendments	Share-based Payment – Vesting Conditions and Cancellations
HKFRS 7 Amendments	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreement for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation

2. **PRINCIPAL ACCOUNTING POLICIES** – continued

Other than as noted below, the adoption of these new HKFRSs had no impact on how the results and financial position for the current and prior period have been prepared and presented.

HKAS 1 (Revised) Presentation of Financial Statements

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Group has elected to present one statements.

The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in this interim financial report and corresponding amounts have been restated to conform to the new presentation. The Standard introduces the accounts of "Other comprehensive income/loss for the period" and "Total comprehensive income/loss for the period" into the income statement. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

HKFRS 8 Operating Segments

This standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary and secondary reporting segments of the Group. Adoption of this Standard did not have any significant effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under HKAS 14 Segment Reporting.

The Group has not earlier 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.

HKFRSs (Amendments)	Improvements to HKFRSs May 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs April 2009[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[3]
HKFRS 3 (Revised)	Business Combinations[3]
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[4]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[5]

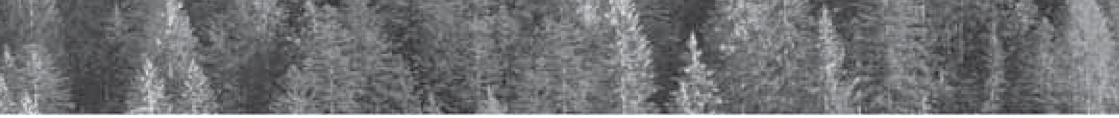
1 Amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.

2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

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

4 Effective for annual periods ending on or after 30 June 2009.

5 Effective for transfers of assets from customers received on or after 1 July 2009.

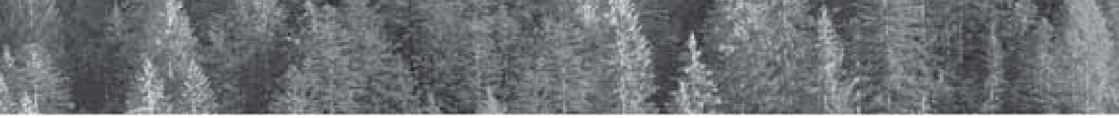


3. **FINANCIAL RISK MANAGEMENT**

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 2008.

4. **SEGMENT INFORMATION**

	Six months ended 30 June			
	2009		2008	
	Turnover	**Segment results**	Turnover	Segment results
	HK$'000	**HK$'000**	HK$'000	HK$'000
	(unaudited)	***(unaudited)***	*(unaudited)*	*(unaudited)*
By business segments:				
Fibreboard	**139,841**	**(33,360)**	203,229	18,247
Hotel operations	**8,874**	**(4,093)**	11,413	5,012
Property investment	**589**	**1,570**	511	310
	149,304	**(35,883)**	215,153	23,569
Interest income		**350**		1,653
Unallocated other incomes		**–**		4,954
Unrealised holding gain/(loss) on financial assets at fair value through profit or loss		**719**		(25)
Unallocated corporate expenses		**(24,080)**		(10,747)
Finance costs		**(549)**		–
(Loss)/profit before taxation		**(59,443)**		19,404
Income tax credit/(expenses)		**1,219**		(2,588)
(Loss)/profit for the period		**(58,224)**		16,816



4. **SEGMENT INFORMATION** – continued

	Six months ended 30 June			
	2009		2008	
	Turnover HK$'000 *(unaudited)*	**Segment results HK$'000 *(unaudited)***	Turnover HK$'000 *(unaudited)*	Segment results HK$'000 *(unaudited)*
By geographical segments:				
The People's Republic of China, other than Hong Kong	**148,998**	**(37,536)**	214,893	23,340
Hong Kong	**306**	**1,653**	260	229
	149,304	**(35,883)**	215,153	23,569
Interest income		**350**		1,653
Unallocated other incomes		**–**		4,954
Unrealised holding gain/(loss) on financial assets at fair value through profit or loss		**719**		(25)
Unallocated corporate expenses		**(24,080)**		(10,747)
Finance costs		**(549)**		–
(Loss)/profit before taxation		**(59,443)**		19,404
Income tax credit/(expenses)		**1,219**		(2,588)
(Loss)/profit for the period		**(58,224)**		16,816

5. OTHER INCOMES

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

	Six months ended 30 June	
	2009	2008
	HK$'000	HK$'000
	(unaudited)	*(unaudited)*
Valued added tax refunded	**359**	11,258
Interest income	**350**	1,653
Exchange gain	**–**	16,116
Unrealized holding gain on financial asset at fair value through profit or loss	**719**	–
Government grant on environmental renovation project	**681**	–

6. TAXATION

	Six months ended 30 June	
	2009	2008
	HK$'000	HK$'000
	(unaudited)	*(unaudited)*
The charges comprises:		
Current tax – Provision for PRC enterprise income tax	**–**	906
Prior year (over-provision)/under-provision for PRC enterprise income tax	**(1,219)**	1,682
	(1,219)	2,588

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.

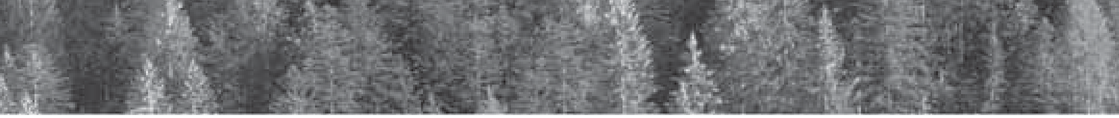
6. **TAXATION** – continued

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

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

	Six months ended 30 June	
	2009	2008
	HK$'000	HK$'000
	(unaudited)	*(unaudited)*
(Loss)/profit before taxation	**(59,443)**	19,404
Tax at the domestic income tax rates applicable to profit in the respective country	**(11,868)**	4,849
Tax effect of non deductible expenses	**10,931**	1,508
Tax effect of non taxable revenue	**(1,194)**	(1,742)
Tax effect of tax deductible not recongised	**(48)**	(44)
Effect of tax exemptions granted to PRC subsidiaries	**–**	(3,665)
Prior year (over-provision)/under-provision for PRC enterprise income tax	**(1,219)**	1,682
Tax effect of tax loss for the year	**2,179**	–
Tax effect for the period	**(1,219)**	2,588

The revaluation deficit for the period and corresponding period last year 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 valuation deficit/surplus relating to properties.



7. (LOSS)/PROFIT FOR THE PERIOD

(Loss)/profit for the period operation has been arrived at after charging/(crediting):

	Six months ended 30 June	
	2009	2008
	HK$'000	HK$'000
	(unaudited)	*(unaudited)*
Staff cost	**18,999**	17,216
Retirement benefit scheme contributions	**1,653**	2,097
Depreciation of property, plant and equipment	**9,822**	8,430
Amortisation of land use rights	**763**	172
Unrealised holding (gain)/loss on financial assets at fair value through profit or loss	**(719)**	25
Impairment loss in respect of property held for sale	**17,410**	4,661
Impairment loss on property, plant and equipment	**30,785**	–
(Increase)/decrease in fair value on investment properties	**(1,250)**	39

8. DIVIDENDS

The Board does not declare any interim dividend for the six months ended 30 June 2009 (2008: Nil).

9. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss of HK$58,224,000 (six months ended 30 June 2008: profit of HK$16,816,000) and on 1,188,329,142 ordinary shares (30 June 2008: 1,188,329,142 ordinary shares) in issue during the period.

No diluted loss 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 2009 by Associated Surveyors & Auctioneer Ltd., an independent firm of professional valuers, on an open market value basis. The valuation investment properties gave rise to a revaluation surplus of HK$1,250,000 (six months ended 30 June 2008: a revaluation deficit of HK$39,000), which has been charged to the condensed consolidation income statement.

At 30 June 2009, the carrying amounts of the Group's hotel property were carried at revalued amounts and were subject to depreciation. This valuation gave rise to revaluation deficit of HK$9,244,000 which has been directly credited to the hotel property revaluation reserve and the hotel property revaluation reserve has released HK$1,857,000 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.

Considering the persistently shrinking market of veneer, the Board resolved not to re-start the veneer manufacturing operation. Due to impact of the financial tsunami and the rapidly deteriorating economy, and in order to enhance operation efficiency, the Group rationalized its operations and provided for impairment of the manufacturing equipment which has low efficiency. As a result, an impairment on production equipment of HK$30,785,000 was recognized and has been charged to the condensed consolidation income statement.

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.

As at 30 June 2009, the carrying value of land use rigths of HK$14,284,600 (31 December 2008: HK$14,478,000) has been pledged as security for a short term bank loan of HK$5,675,000 (31 December 2008: HK$22,727,000).

12. GOODWILL

The goodwill arose on the acquisitions of subsidiaries in 2002.

The Group's goodwill was revalued at 31 December 2008. Valuation was made on the basis of value-in-use the cash generating unit by Associated Surveyors & Auctioneers Ltd., an independent firm of professional valuers.

At 30 June 2009 the directors considered the carrying amounts of the Group's goodwill carried at the revalued amounts and estimated that the carrying amounts as at 31 December 2008 do not differ significantly from the open market value of those goodwill as at 31 December 2008. Consequently, no impairment has been charged to the income statement in 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 ageing analysis of the Group's trade receivables at the reporting date:

	30.6.2009	31.12.2008
	HK$'000	HK$'000
	(unaudited)	*(audited)*
0 – 60 days	**1,778**	1,435
61 – 90 days	**151**	315
91 – 120 days	**29**	145
Over 120 days	**356**	530
Trade receivables	**2,314**	2,425
Other receivables	**27,834**	49,876
	30,148	52,301

The fair value of the Group's accounts receivable and other receivables at 30 June 2009 equal approximately to the corresponding carrying amounts.

14. TRADE AND OTHER PAYABLES

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

	30.6.2009	31.12.2008
	HK$'000	HK$'000
	(unaudited)	*(audited)*
0 – 60 days	**10,472**	9,926
61 – 90 days	**520**	2,130
91 – 120 days	**338**	199
Over 120 days	**4,034**	4,457
Trade payables	**15,364**	16,712
Other payables	**142,796**	145,945
	158,160	162,657

On 9 May 2002, the Group issued HK$230,000,000 convertible notes (the "Notes") which were due on 9 May 2007 (the "Maturity Date"), bearing interest at 1% per annum and in units of HK$1,000,000 each. As at 30 June 2009 and 31 December 2008, the balance of HK$75,000,000 notes were due but not converted. Such principal monies together with all interest accrued thereon up to maturity, amounting to HK$3,908,000, was reclassified as other payables and is repayable on demand.

The fair value of the Group's accounts payable and other payables at 30 June 2009 equal approximately to the corresponding carrying amounts.

15. SECURED BANK LOAN

The Group has a short-term bank loan in the amount of HK$5,675,000 (31 December 2008: HK$22,727,000). The loan is secured by Group's land use rights and bears interest at fixed rate of 7.84% per annum . It repayable within one year. Repayments of the bank loans amounting to HK$17 million (2008: Nil) were made in line with the relevant repayment terms.

16. SHARE CAPITAL

	Number of shares		Nominal value	
	30.6.2009	31.12.2008	**30.6.2009**	31.12.2008
			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:	**1,188,329,142**	1,188,329,142	**118,833**	118,833

17. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At 30 June 2009, 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:

	30.6.2009	31.12.2008
	HK$'000	HK$'000
	(unaudited)	*(audited)*
Within one year	**3,658**	4,458
In the second to fifth years inclusive	**10,638**	13,684
Over five years	**16,575**	20,651
	30,871	38,793

The Group as lessor

At 30 June 2009, the Group had contracted with tenants for the following future minimum lease payments:

	30.6.2009	31.12.2008
	HK$'000	HK$'000
	(unaudited)	*(audited)*
Within one year	**1,069**	1,152
In the second to fifth years inclusive	**1,276**	599
	2,345	1,751

18. CONTINGENT LIABILITIES

a. On 27 February 2004, the Company's subsidiaries Nanhai Jia Shun Timber Company Limited ("Jia Shun") received summons issued by the People's Court of Foshan City, Guangdong Province, the People's Republic of China (the "Court") regarding a litigation instituted (the "Claim") by a constructor (the "Claimant") in relation to a construction fee in a sum of RMB1,621,109 (approximately HK$1,842,169) and accrued interest thereof.

The legal proceedings in relation to the above claim was suspended on 7 March 2004 and resumed by the Court on 7 January 2009.

Jia Shun received the written judgements of the above claim from the Court on 3 February 2009 whereby the Court held that Jia Shun are liable to repay the construction fee in the sum of RMB1,621,109 together with accrued interest to the Claimant, which in aggregate amounted to an equivalent of RMB1,668,593 (approximately HK$1,896,128). Upon receiving the judgments, Jia Shun had promptly engaged PRC lawyers to look into the matters and appeal were filed with the Court on 17 February 2009 to appeal against such written judgments of the above Claim.

Based on the legal opinions of PRC lawyers engaged for each of the Claim, and the facts finding and investigations conducted so far by Jia Shun and PRC lawyers, it appeared that: (i) Jia Shun had never appointed or approved any construction contract with the Claimant of the alleged construction fee and; (ii) Jia Shun had not verified the completion report for the construction project with the Constructor, and the Claimant had not provided sufficient cogent evidence to show that such construction project was in fact performed for Jia Shun.

Based on the legal opinion of PRC lawyers, the Directors consider that the Claimant may not have any valid claim against Jia Shun in relation to the above Claim, and they believe that Jia Shun may successfully defend against the Claim. Thus, Jia Shun has contested the Claim. Accordingly, the board will not make any provision on loss in litigation in respective of the Claim. At present, the Board anticipates that the Claim will not cause any material adverse impact on the business operations and financial position of the Group.

18. CONTINGENT LIABILITIES – continued

b. 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. This amount would become payable, among others, if the consolidated net profit of Can Manage and its subsidiary, Jia Shun, achieved an amount of HK$70,000,000 for the year ended 31 December 2002 and HK$80,000,000 for the year ended 31 December 2003.

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

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

19. COMMITMENTS

As at 30 June 2009, the Group was committed to capital expenditure of HK$2,077,110 for the completion of its environmental renovation project and HK$927,515 for the completion of its hotel equipment renovation project (31 December 2008: HK$5,707,652).

20. CHARGE ON ASSETS

On 23 April 2009 and 14 July 2009, Nanhai Heng Da Timber Company Limited ("Heng Da"), the Group's wholly-owned subsidiary which has ceased operation, received "List of sealed and detained properties" issued by the Intermediate People's Court of Nanhai District, Foshan, Guangdong (the "Court Order"), for the sealing of the machinery, equipment and plants of Heng Da for manufacturing veneer with net book value of approximately RMB4,472,000 (approximately HK$5,076,000). In the Directors' opinion, the relevant machinery, equipment and plants under the Court Order have no impact on the operation of the Group, and the related payables have been accounted for in the financial statements.