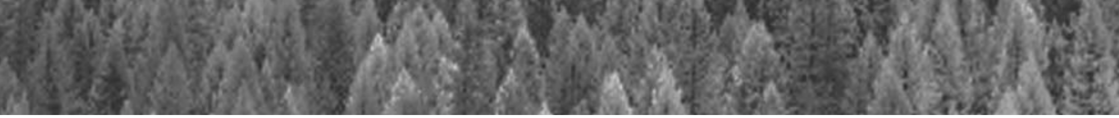
中國興業控股有限公司

China Investments Holdings Limited | Interim Report 2010

(Incorporated in Bermuda with limited liability)

(Stock Code: 132)



CORPORATE INFORMATION

Executive Directors	You Guang Wu (Chairman) Su Wenzhao (Managing Director) Wu Yongqing
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
Registrar	Butterfield Fulcrum Group (Bermuda) Limited Rosebank Centre 11 Bermudiana Road Pembroke Bermuda
Branch Registrar	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 2010, the Group's turnover was HK$184,040,000 and profit amounted to HK$6,474,000, achieving a turnaround from the loss for the same period last year.

BUSINESS REVIEW

Fibreboard Business

Despite the rebound of global economy, the demand for furniture from European and American markets remained weak. During the period, medium density fibreboard recorded a mild growth in sales volume of 9.8% to 120,746 cubic metres from the same period last year. On cost of sales, in respond to the considerable pressure against fibreboard business from the hiking raw material prices, the management cut down production costs by equipment renovations and timely adjusted product prices to improve gross profit margin. During the period, gross profit margin of fibreboard products increased to 5.9% from 2.8% for the same period last year, and total sales amounted to HK$174,442,000, representing a year-on-year increase of 24.7%. A turnaround from loss to profit was achieved with operating profit of HK$11,092,000.

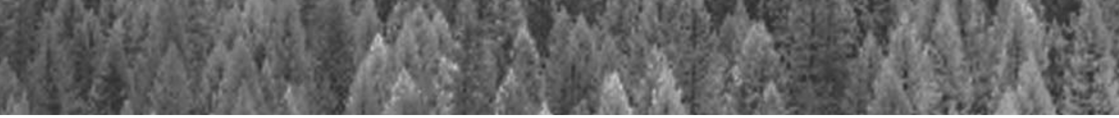
During the reporting period, the Group continued its commitment to research and development and the quality improvement of environmentally-friendly products. The proportion of sales volume of environmentally-friendly products in total sales volume increased by 14.2% to 24.5% from 10.3% for the same period last year and is expected to further increase.

Hotel Business

During the first half of 2010, the average occupancy rate of Guilin Plaza Hotel decreased by 8.5% to 44.2% due to the comprehensive room renovation in the first quarter and the opening of Shanghai World Expo in the second quarter. Nevertheless, following the completion of renovation project and recovery of international market, the management of the hotel reinforced marketing efforts in exploring into market of foreign guests, resulting in a growth of 17.4% in foreign guest occupancy and an increase of 18% in average hotel room rates over the same period last year. Operating loss amounted to HK$3,699,000, down 9.6% from the same period last year.

Property Investment

As all the commercial properties of Shantou International Commercial Building had been leased out, the Group's property occupancy rate as a whole rose to 71.9%, representing an improvement of 18.5% over the same period last year. The total rental income for the first half of 2010 amounted to HK$716,000, representing a year-on-year increase of 21.6%.



FINANCIAL POSITION AND ANALYSIS

As at 30 June 2010, the Group had total assets of HK$683,845,000 (31 December 2009: HK$686,907,000). The Group had no bank loan and other long-term debts (31 December 2009: HK$0). Net assets value amounted to HK$518,581,000 (31 December 2009: HK$509,367,000). Gearing ratio (being bank loans and other long-term debts divided by total assets) was 0% (31 December 2009: 0%). Net assets per Share amounted to HK43.64 cents (31 December 2009: HK42.86 cents).

The Group's net current assets amounted to HK$136,204,000 (31 December 2009: HK$132,774,000). Current ratio (being current assets divided by current liabilities) was approximately 1.82 times (31 December 2009: 1.75 times), while bank deposits and cash amounted to HK$128,855,000 (31 December 2009: HK$115,888,000), which is sufficient to meet capital requirements of the Group's operations and development in the near future.

PLEDGE OF ASSETS

As at 30 June 2010, the net carrying value of land use rights of the Group of HK$14,091,000 (31 December 2009: HK$14,108,000) has been pledged for application of banking facilities.

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. Over the past few 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 impose material and adverse foreign exchange risk on the Group. Accordingly, the Group currently has no specific need to hedge against any foreign exchange risk in this regard.

OUTLOOK

During the second half of 2010, the Group's fibreboard business will continue to focus its resources on environmentally-friendly products which have more room for development, while diversifying product varieties and expanding customer base to increase profit margin amid the hiking raw material prices. On hotel business, the business results are expected to improve during the second half year as the completion of room renovation project has laid a better foundation for attracting high-end consumers which is beneficial to carrying out all-around marketing campaigns when consumer confidence in the global tourism industry is stabilizing.

DIRECTORS INTERESTS IN SHARES

As at 30 June 2010, the interests and short positions of directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meanings of Part XV of the Securities and Future 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**	**Capacity**	**% of total share capital issued as at 30 June 2010**
Wang Jin Yuan *(Note)*	2,800,000	Beneficial Owner	0.24%

Note: Mr. Wang Jin Yuan resigned as the director of the Company on 2 July 2010.

Save as disclosed above, as at 30 June 2010, 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 2010, 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 2010
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/ Corporate interest	17.14%
Leung Siu Fai	151,610,779	2	Corporate interest	12.76%
Mighty Management Limited	151,610,779	2	Beneficial owner	12.76%
Industrial and Commercial Bank of China	131,657,142		Beneficial owner	11.08%
Nam Keng Van Investment Co. Ltd.	121,864,487	*3*	Beneficial owner	10.26%

Notes:

1. These interests were disclosed by 佛山市南海聯達投資(控股)有限公司 (Foshan 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.

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

* *For identification purpose only.*

SHARE OPTIONS

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

DISCLOSURE OF INFORMATION REGARDING DIRECTORS

On 2 July 2010, Mr. Wang Jin Yuan resigned as an executive director of the Company and on 22 July 2010, Mr. Wu Yongqing was appointed as an executive director of the Company. Pursuant to rule 13.51 B(1) of the Listing Rules, the change and updated information regarding directors of the Company is as follows:

"The term of service of Mr. Deng Hong Ping as an independent non-executive director of the Company is two years until 5 April 2012."

INTERIM DIVIDEND

The Board does not declare interim dividend for the six months ended 30 June 2010 (2009: 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 year.

EMPLOYEES

The total number of employees of the Group is approximately 947. 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 2010.

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 2010, 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 2010.

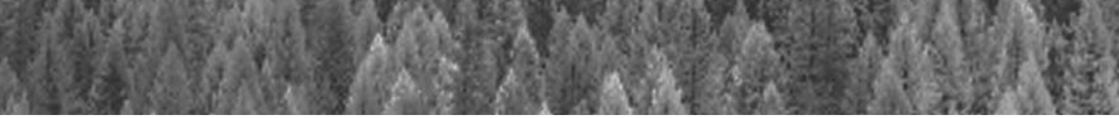
By Order of the Board
China Investments Holdings Limited
You Guang Wu
Chairman

Hong Kong, 26 August, 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Notes	Six months ended 30 June **2010** **HK$'000** ***(unaudited)***	 2009 HK$'000 *(unaudited)*
Turnover	*4*	**184,040**	149,304
Cost of sales and services		**(165,804)**	(136,612)
Gross profit		**18,236**	12,692
Other income	*5*	**15,593**	2,148
Selling and distribution costs		**(328)**	(277)
Administrative expenses		**(28,072)**	(26,512)
Increase in fair value on investment properties		**–**	1,250
Impairment loss on property, plant and equipment		**(923)**	(30,785)
Impairment loss on properties held for sale		**–**	(17,410)
Finance costs		**–**	(549)
Profit/(loss) before taxation		**4,506**	(59,443)
Income tax	*6*	**1,968**	1,219
Profit/(loss) for the period	*7*	**6,474**	(58,224)
Other comprehensive income/(expense):			
Exchange differences arising on translation of foreign operations		**28**	(60)
Surplus/(deficit) on revaluation of hotel properties		**2,712**	(9,244)
Other comprehensive income/(expense) for the period		**2,740**	(9,304)
Total comprehensive income/(expense) for the period and attributable to shareholders of the Company		**9,214**	(67,528)
Earnings/(loss) per share	*9*		
Basic		**HK0.54 cents**	(HK4.90 cents)
Diluted		**N/A**	N/A



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

	Notes	**30.6.2010 HK$'000 *(unaudited)***	31.12.2009 HK$'000 *(audited)*
Non-current assets			
Investment properties	*10*	**11,801**	11,801
Property, plant and equipment	*10*	**228,177**	222,340
Land use rights	*11*	**52,519**	52,572
Goodwill	*12*	**89,880**	89,880
		382,377	376,593
Current assets			
Properties held for sale		**63,429**	63,429
Inventories		**83,350**	87,720
Trade and other receivables	*13*	**25,832**	40,467
Financial assets at fair value through profit or loss		**2**	2,810
Bank balances and cash		**128,855**	115,888
		301,468	310,314
Current liabilities			
Trade and other payables	*14*	**163,107**	172,219
Tax payable		**2,157**	5,321
		165,264	177,540
Net current assets		**136,204**	132,774
Total assets less current liabilities		**518,581**	509,367
Capital and reserves			
Share capital	*15*	**118,833**	118,833
Reserves		**399,748**	390,534
Equity attributable to owners of the Company		**518,581**	509,367

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	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 2009	118,833	484,159	21,161	66,837	(54,734)	(55,943)	580,313
Deficit on revaluation of hotel properties	–	–	–	(28,953)	–	–	(28,953)
Release of revaluation reserve of hotel properties	–	–	–	(3,449)	–	3,449	–
Transfer to statutory reserve	–	–	8,958	–	–	(8,958)	–
Exchange differences arising on translation of foreign operations	–	–	–	–	36	–	36
Loss for the year	–	–	–	–	–	(42,029)	(42,029)
At 31 December 2009 and 1 January 2010	118,833	484,159	30,119	34,435	(54,698)	(103,481)	509,367
Surplus on revaluation of hotel properties	–	–	–	2,712	–	–	2,712
Release of revaluation reserve of hotel properties	–	–	–	(1,013)	–	1,013	–
Exchange differences arising on translation of foreign operations	–	–	–	–	28	–	28
Profit for the period	–	–	–	–	–	6,474	6,474
At 30 June 2010	118,833	484,159	30,119	36,134	(54,670)	(95,994)	518,581

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	HK$'000	HK$'000
	(unaudited)	*(unaudited)*
Net cash generated from operating activities	**31,102**	28,377
Net cash used in investing activities	**(12,760)**	(8,455)
Net cash used in financing activities	**–**	(17,052)
Net increase in cash and cash equivalents	**18,342**	2,870
Cash and cash equivalents at beginning of period	**115,888**	110,993
Effect of foreign exchange rate changes	**(5,375)**	(57)
Cash and cash equivalents at end of period, represented by bank balances and cash	128,855	113,806

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

1. BASIS OF PREPARATION

The interim condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("the Listing Rules") and with Hong Kong Accounting Standard 34 ("HKAS 34") Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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

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 2009.

The preparation of an interim financial report 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. Actual results may differ from these estimates. The accounting policies and the key sources of estimation uncertainty 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 2009, 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 2010:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES – continued

HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 (Amendment)	Eligible Hedged Items
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 (Amendment)	Eligible Hedged Items
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC) – Int 18	Transfers of Assets from Customers

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) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements and liquidity risk. The Company has not presented comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

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 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[2]
HKAS 32 (Amendment)	Classification of Rights Issues[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosure for First-time Adopters[4]
HKFRS 9	Financial Instruments[5]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[2]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[4]

1 Amendments that are effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 January 2011.
3 Effective for annual periods beginning on or after 1 February 2010.
4 Effective for annual periods beginning on or after 1 July 2010.
5 Effective for annual periods beginning on or after 1 January 2013.

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 2009.

4. **SEGMENT INFORMATION**

2010

	Fibreboard HK$'000 *(unaudited)*	**Hotel operations HK$'000** *(unaudited)*	**Property investment HK$'000** *(unaudited)*	**Unallocated HK$'000** *(unaudited)*	**Consolidated HK$'000** *(unaudited)*
Turnover	**174,442**	**8,882**	**716**	**–**	**184,040**
Depreciation and amortization	**10,430**	**3,370**	**–**	**187**	**13,987**
Segment results	**11,092**	**(3,699)**	**474**	**(2,820)**	**5,047**
Interest income	**–**	**–**	**–**	**382**	**382**
Impairment loss on property, plant and equipment	**(923)**	**–**	**–**	**–**	**(923)**
Profit before taxation					**4,506**
Income tax					**1,968**
Profit for the period					**6,474**

2009

	Fibreboard HK$'000 *(unaudited)*	Hotel operations HK$'000 *(unaudited)*	Property investment HK$'000 *(unaudited)*	Unallocated HK$'000 *(unaudited)*	Consolidated HK$'000 *(unaudited)*
Turnover	139,841	8,874	589	–	149,304
Depreciation and amortization	6,245	4,075	–	265	10,585
Segment results	(2,575)	(4,093)	320	(6,670)	(13,018)
Interest income	–	–	–	350	350
Unrealised holding gain on financial assets at fair value through profit or loss	–	–	–	719	719
Impairment loss on property, plant and equipment	(30,785)	–	–	–	(30,785)
Impairment loss on properties held for sale	–	–	(17,410)	–	(17,410)
Increase in value on investment properties	–	–	1,250	–	1,250
Finance costs	–	–	–	(549)	(549)
Loss before taxation					(59,443)
Income tax					1,219
Loss for the period					(58,224)

4. SEGMENT INFORMATION – continued

2010

	The PRC HK$'000 *(unaudited)*	**Hong Kong HK$'000** *(unaudited)*	**Unallocated HK$'000** *(unaudited)*	**Consolidated HK$'000** *(unaudited)*
Turnover	**183,762**	**278**	**–**	**184,040**
Depreciation and amortization	**13,800**	**–**	**187**	**13,987**
Segment results	**7,625**	**242**	**(2,820)**	**5,047**
Interest income	**–**	**–**	**382**	**382**
Impairment loss on property, plant and equipment	**(923)**	**–**	**–**	**(923)**
Profit before taxation				**4,506**
Income tax				**1,968**
Profit for the period				**6,474**

2009

	The PRC HK$'000 *(unaudited)*	Hong Kong HK$'000 *(unaudited)*	Unallocated HK$'000 *(unaudited)*	Consolidated HK$'000 *(unaudited)*
Turnover	148,998	306	–	149,304
Depreciation and amortization	10,320	–	265	10,585
Segment results	(6,602)	254	(6,670)	(13,018)
Interest income	–	–	350	350
Unrealised holding gain on financial assets at fair value through profit or loss	–	–	719	719
Impairment loss on property, plant and equipment	(30,785)	–	–	(30,785)
Impairment loss on properties held for sale	(17,410)	–	–	(17,410)
Increase in value on investment properties	1,400	(150)	–	1,250
Finance costs	–	–	(549)	(549)
Loss before taxation				(59,443)
Income tax				1,219
Loss for the period				(58,224)

4. **SEGMENT INFORMATION** – continued

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

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

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

5. **OTHER INCOME/(EXPENSES)**

Other income/(expenses) for the period has been arrived at after crediting/(charging):

	Six months ended 30 June	
	2010	2009
	HK$'000	HK$'000
	(unaudited)	*(unaudited)*
Valued added tax refunded	**5,456**	359
Interest income	**382**	350
Exchange gain/(loss)	**3,391**	(236)
Gain on disposal of property, plant and equipment	**27**	–
Gain on disposal of financial asset at fair value through profit or loss	**256**	–
Amount recovered from debt assignment	**5,438**	–
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	
	2010	2009
	HK$'000	HK$'000
	(unaudited)	*(unaudited)*
The charges comprises:		
Current tax – Provision for PRC enterprises income tax	**–**	–
Prior year over-provision for PRC enterprises income tax	**(1,968)**	(1,219)
	(1,968)	(1,219)

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.

6. **TAXATION** – continued

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

One of the Group's PRC subsidiary was in tax holiday and exempted from PRC 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 over-provision on PRC income tax for the period ended 30 June 2010 and 2009 represented tax refund in relation to preferential enterprise income tax policies for comprehensive utilization of resources to certain PRC subsidiaries pursuant to Guo Shui Han [2009] No. 185 issued by the State Administration of Taxation.

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

	Six months ended 30 June	
	2010	2009
	HK$'000	HK$'000
	(unaudited)	*(unaudited)*
Profit/(loss) before taxation	**4,506**	(59,443)
Tax at the domestic income tax rates applicable to profit in the respective country	**950**	(11,868)
Tax effect of non deductible expenses	**9,876**	10,931
Tax effect of non taxable revenue	**(10,385)**	(1,194)
Tax effect of tax deductible not recognised	**–**	(48)
Effect of tax exemptions granted to PRC subsidiaries	**(441)**	–
Prior year over-provision for PRC enterprises income tax	**(1,968)**	(1,219)
Tax effect of tax loss for the year	**–**	2,179
Tax effect for the period	**(1,968)**	(1,219)

The revaluation surplus/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 surplus/deficit relating to properties.

7. PROFIT/(LOSS) FOR THE PERIOD

Profit/(loss) for the period has been arrived at after charging/(crediting):

	Six months ended 30 June	
	2010	2009
	HK$'000	HK$'000
	(unaudited)	*(unaudited)*
Staff cost	**20,250**	18,999
Retirement benefit scheme contributions	**1,682**	1,653
Depreciation of property, plant and equipment	**13,335**	9,822
Amortization of land use rights	**652**	763
Impairment loss on property held for sale	**–**	17,410
Impairment loss on property, plant and equipment	**923**	30,785
Increase in fair value on investment properties	**–**	(1,250)

8. DIVIDEND

The Board does not declare any interim dividend for the six months ended 30 June 2010 (2009: Nil).

9. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit of HK$6,474,000 (six months ended 30 June 2009: a loss of HK$58,224,000) and on 1,188,329,142 ordinary shares (30 June 2009: 1,188,329,142 ordinary shares) in issue during the period.

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

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

The Group's hotel property and investment properties were revalued at 30 June 2010 by Associated Surveyors & Auctioneer Ltd., an independent firm of professional valuers, on an open market value basis. There was no revaluation surplus or deficit arising from the revaluation in respect of the investment properties as at 30 June 2010 (six months ended 30 June 2009: a revaluation surplus of HK$1,250,000). Consequently, no revaluation surplus or deficit has been recognized in the current period.

At 30 June 2010, 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 surplus of HK$2,712,000 which has been directly credited to the hotel property revaluation reserve and the hotel revaluation reserve has released HK$1,013,000 to accumulated loss in current period.

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

11. LAND USE RIGHTS

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

12. GOODWILL

The goodwill arose on the acquisitions of subsidiaries in 2002.

The Group's goodwill was revalued at 30 June 2010. Valuation was made on the basis of value-in-use of the cash generating unit by Associated Surveyors & Auctioneers Ltd., an independent firm of professional valuers. No impairment has been charged to the statement of comprehensive income 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:

	30.6.2010 **HK$'000** ***(unaudited)***	31.12.2009 HK$'000 *(audited)*
0 – 60 days	**2,444**	1,184
61 – 90 days	**451**	438
91 –120 days	**138**	232
Over 120 days	**481**	476
Trade receivables	**3,514**	2,330
Other receivables	**22,318**	38,137
	25,832	40,467

The fair value of the Group's accounts receivable and other receivables at 30 June 2010 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:

	30.6.2010	31.12.2009
	HK$'000	HK$'000
	(unaudited)	*(audited)*
0 – 60 days	**12,555**	15,669
61 – 90 days	**1,944**	462
91 –120 days	**364**	128
Over 120 days	**4,717**	4,242
Trade payables	**19,580**	20,501
Other payables	**143,527**	151,718
	163,107	172,219

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 2010, the balance of HK$75,000,000 notes were due but not converted. Such principal monies together with all interest accrued thereron up to maturity, amounting to HK$3,908,000, is now classified as other payables and become repayable on demand.

The fair value of the Group's accounts payable and other payables at 30 June 2010 equals approximately to the corresponding carrying amounts.

15. SHARE CAPITAL

	Number of shares		**Nominal value**	
	30.6.2010	31.12.2009	**30.6.2010**	31.12.2009
			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

16. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At 30 June 2010, 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:

	30.6.2010	31.12.2009
	HK$'000	HK$'000
	(unaudited)	*(audited)*
Within one year	**4,358**	4,192
In the second to fifth years inclusive	**12,105**	12,294
Over five years	**16,483**	17,842
	32,946	34,328

The Group as lessor

At 30 June 2010, the Group had contracted with tenants for the following future minimum lease payments:

	30.6.2010	31.12.2009
	HK$'000	HK$'000
	(unaudited)	*(audited)*
Within one year	**1,227**	1,546
In the second to fifth years inclusive	**354**	1,321
	1,581	2,867

17. CONTINGENT LIABILITIES

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

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

18. COMMITMENTS

	30.6.2010	31.12.2009
	HK$'000	HK$'000
	(unaudited)	*(audited)*
Commitments for the acquisition of the property, plant and equipment	**433**	746
Commitments for the environmental renovation project	**–**	408
Commitments for hotel equipment renovation project	**2,072**	1,815
	2,505	2,969

19. EVENTS AFTER THE REPORTING PERIOD

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 RMB3,904,000 (approximately HK$4,482,000).

On 18 August 2010, the charged assets were sold by auction held by the Court at the price of approximately RMB3,100,000 (approximately HK$3,559,000).

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 and impairment have been accounted for in the financial statements.