



中國興業控股有限公司

# China Investments Holdings Limited | Interim Report 2011

*(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
Company Secretary	Lo Tai On
Stock Code	132
Website	<a href="http://chinainvestments.quamir.com">http://chinainvestments.quamir.com</a>

## RESULTS

Under the influence of the continuous fluctuating global economy and the hiking raw material prices, for the six months ended 30 June 2011, the Group's turnover was HK\$183,446,000, representing a decrease of 0.3% as compared to HK\$184,040,000 for the same period last year. Operating loss was HK\$18,814,000. An operating profit of HK\$6,474,000 was recorded during the same period last year.

## BUSINESS REVIEW

### Fibreboard Business

As the global economy remained gloomy, the demand for medium density fibreboard from the market was weak, leading to supply-demand imbalance and fierce competition. Therefore, in the first half of the year, medium density fibreboard recorded a decrease in sales volume of 12.1% to 105,155 cubic metres from the same period last year. Total sales amounted to HK\$169,067,000, representing a decrease of 3.1% over the same period last year. The management minimized the pressure from the increasing costs by a series of measures during the period. They aggressively reduced the procurement and production costs, strictly controlled the operation and management expenses, and leveraged on the existing resources to increase operating revenue. However, due to the continued rising of raw material prices, the Group's fibreboard business recorded an operating loss of HK\$17,244,000 during the first half of the year. Share of losses and impairment loss on plant infrastructure of the associate (of which the Group holds 42% interest) amounted to HK\$2,107,000.

### Hotel Business

The tourism market in China showed sign of improvement as compared to the last year as the guest volume increased obviously. Together with the completion of the replacement and renovation of the facilities of Hotel, occupancy rate of the hotel increased by 18% as compared to the same period last year, and the average hotel room rates increased by 12%. The management also focused on enhancing the promotion of banquets and conferences whereby income from banquets increased by 76.3%. The total turnover increased substantially by 51.7% to HK\$13,475,000 as compared to the same period last year. While enhancing the promotion activities, the management adopted a number of measures during the period to effectively control the costs, making the average cost decreased by 2.8%. However, as the depreciation and amortization of equipment increased to HK\$4,351,000 this year as a result of the replacement and renovation of the hotel last year, an operating loss of HK\$1,886,000 was recorded in the first half of the year. However, there was a decrease of 49% in loss as compared to the same period last year.

## Property Investment

As at 30 June 2011, the Group's rental income amounted to HK\$904,000, which was an increase of 26% over the same period last year. It was mainly due to the rental-free period for some new lettings in the same period last year. The property occupancy rate was 67.4%, representing a slight decrease of 4.4% as compared to the same period last year.

## Financial Position and Analysis

As at 30 June 2011, the Group had total assets of HK\$708,929,000 (31 December 2010: HK\$721,642,000). The Group had no bank loan and other long-term debts (31 December 2010: Nil). Net assets value amounted to HK\$516,608,000 (31 December 2010: HK\$535,540,000). Gearing ratio (being bank loans and long-term debts divided by total assets) was 0% (31 December 2010: 0%). Net assets per share amounted to HK43.47 cents (31 December 2010: HK45.07 cents).

The Group's net current assets amounted to HK\$115,176,000 (31 December 2010: HK\$135,710,000). Current ratio (being current assets divided by current liabilities) was approximately 1.60 times (31 December 2010: 1.73 times), while bank deposits and cash amounted to HK\$74,553,000 (31 December 2010: HK\$114,036,000), which is sufficient to meet the capital requirements of the Group's operations and development in the near future.

## Pledge of Assets

The net carrying value of land use rights of HK\$14,395,000 (2010: HK\$14,273,000) has been pledged for application of standby banking facilities (2010: no secured borrowings).

## Foreign Exchange Exposure

The Group's main businesses and assets are located in Mainland China, and its main operating income and costs are calculated in Renminbi. The fluctuation of Renminbi to Hong Kong dollar will have a significant impact on the operating results of the Group. As at 30 June 2011, the Group recorded exchange gain of HK\$6,696,000 from the appreciation of Renminbi. It is expected that the appreciation of Renminbi will continue in the future. Accordingly, the Group believes it currently has no specific needs to hedge against any foreign exchange risk in this regard.

## Outlook

Looking ahead to the second half of the year, under the environment of the continuous fluctuating financial markets in Europe and the U.S., the increasing risk of a downtrend in the global economy and the price index remaining high, the Group's businesses will face a number of challenges. In the second half of the year, the Group will continuously enhance the management ability and reduce the operating costs to stay competitive, and further make use of the existing resources and explore new revenue sources, so as to achieve more satisfactory results under the difficult operating environment.

## DIRECTORS INTERESTS IN SHARES

As at 30 June 2011, according to the register maintained by the Company pursuant to section 352 of the Securities and Future Ordinance (the "SFO"), none of the directors, or their associates, had any interests in any shares, underlying shares or debentures of the Company or any of its associated corporation.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2011, according to the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, the persons who were interested in 5% or more in the shares and underlying shares of the Company are as follows:

Names	Number of shares	Notes	Capacity	Approximate percentage of total issued share capital as at 30 June 2011
佛山市南海聯達投資 (控股)有限公司 (Foshan Nanhai Lian Da Investment (Holding) Co., Ltd.*)	203,703,703	1	Corporate interest	17.14%
廣東南海控股投資有限公司 (Guangdong Nanhai Holding Investment Co., Ltd.*)	203,703,703	1	Corporate interest	17.14%
Leung Siu Fai	151,610,779	2	Corporate interest	12.76%
Mighty Management Limited	151,610,779	2	Beneficial owner	12.76%
Industrial and Commercial Bank of China	131,657,142		Beneficial owner	11.08%
Nam Keng Van Investment Co. Ltd.	121,864,487	3	Beneficial owner	10.26%
Cui Guo Jian	121,864,487	3	Corporate interest	10.26%
Pu Jian Qing	121,864,487	3	Corporate interest	10.26%

Notes:

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

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

\* *For identification purpose only.*

## **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.

## **INTERIM DIVIDEND**

The Board does not declare interim dividend for the six months ended 30 June 2011 (2010: Nil).

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES**

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

## **EMPLOYEES**

The total number of employees of the Group is approximately 942. 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 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited as its own code on corporate governance practices. The Company has complied with all the code provisions under the Code during the six months ended 30 June 2011.

## **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 2011, 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 2011.

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

Hong Kong, 19 August 2011

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2011*

		<b>Six months ended 30 June</b>	
		<b>2011</b>	<b>2010</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<i>(unaudited)</i>	<i>(unaudited)</i>
Turnover	4	183,446	184,040
Cost of sales and services		<u>(175,272)</u>	<u>(165,804)</u>
Gross profit		8,174	18,236
Other income	5	8,047	15,593
Selling and distribution costs		(367)	(328)
Administrative expenses		(32,170)	(28,072)
Impairment loss on property, plant and equipment		–	(923)
Share of loss of an associate		<u>(2,107)</u>	<u>–</u>
(Loss)/profit before taxation		(18,423)	4,506
Income tax	6	<u>(391)</u>	<u>1,968</u>
(Loss)/profit for the period	7	<u>(18,814)</u>	<u>6,474</u>
Other comprehensive (expense)/income:			
Exchange differences arising on translation of foreign operations		(118)	28
Surplus on revaluation of hotel properties		<u>–</u>	<u>2,712</u>
Other comprehensive (expense)/ income for the period		<u>(118)</u>	<u>2,740</u>
Total comprehensive (expense)/ income for the period and attributable to owners of the Company		<u>(18,932)</u>	<u>9,214</u>
(Loss)/earnings per share	9		
Basic		<u>(HK1.58 cents)</u>	<u>HK0.54 cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 30 June 2011*

	<i>Notes</i>	<b>30.6.2011</b> <b>HK\$'000</b> <i>(unaudited)</i>	31.12.2010 HK\$'000 <i>(audited)</i>
<b>Non-current Assets</b>			
Investment properties	<i>10</i>	11,801	11,801
Property, plant and equipment	<i>10</i>	238,103	244,943
Land use rights	<i>11</i>	53,669	53,206
Goodwill	<i>12</i>	89,880	89,880
Investment in an associate	<i>13</i>	7,979	–
		<b>401,432</b>	<b>399,830</b>
<b>Current Assets</b>			
Properties held for sale		63,429	63,429
Inventories		134,935	118,740
Trade and other receivables	<i>14</i>	34,578	25,605
Financial assets at fair value through profit or loss		2	2
Bank balances and cash		74,553	114,036
		<b>307,497</b>	<b>321,812</b>
<b>Current Liabilities</b>			
Trade and other payables	<i>15</i>	190,659	184,475
Tax payable		1,662	1,627
		<b>192,321</b>	<b>186,102</b>
<b>Net Current Assets</b>		<b>115,176</b>	<b>135,710</b>
<b>Total assets less current liabilities</b>		<b>516,608</b>	<b>535,540</b>
<b>Capital and Reserves</b>			
Share capital	<i>16</i>	118,833	118,833
Reserves		397,775	416,707
<b>Equity attributable to owners of the Company</b>		<b>516,608</b>	<b>535,540</b>

## CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Share capital	Share premium	Statutory reserve (Note)	Hotel property revaluation reserve	Exchange reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2011	118,833	484,159	31,753	37,833	(54,903)	(82,135)	535,540
Release of revaluation reserve of hotel properties	-	-	-	(1,182)	-	1,182	-
Exchange differences arising on translation of foreign operations	-	-	-	-	(118)	-	(118)
Loss for the period	-	-	-	-	-	(18,814)	(18,814)
At 30 June 2011	<u>118,833</u>	<u>484,159</u>	<u>31,753</u>	<u>36,651</u>	<u>(55,021)</u>	<u>(99,767)</u>	<u>516,608</u>

For the six months ended 30 June 2010

At 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	<u>118,833</u>	<u>484,159</u>	<u>30,119</u>	<u>36,134</u>	<u>(54,670)</u>	<u>(95,994)</u>	<u>518,581</u>

The accumulated loss of the Group includes approximately HK\$2,107,000 (six months ended 30 June 2010: Nil) accumulated by associates of the Group.

*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 2011

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	( <i>unaudited</i> )	( <i>unaudited</i> )
Net cash (used in)/generated from operating activities	(26,955)	31,102
Net cash used in investing activities	(14,904)	(12,760)
Net cash used in financing activities	—	—
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(41,859)	18,342
Cash and cash equivalents at beginning of period	114,036	115,888
Effect of foreign exchange rate changes	2,376	(5,375)
	<hr/>	<hr/>
Cash and cash equivalents at end of period, represented by bank balances and cash	<u>74,553</u>	<u>128,855</u>

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

*For the six months ended 30 June 2011*

## 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 AND APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

The interim condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair 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 2010.

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 2010, except as described below:

### Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

### Interests in associates – continued

Any excess of the cost of acquisition over the Group’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of investment.

Any excess of the Group’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group’s investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment losses recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group’s consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

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 2011:

HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendment)	Classification of Rights Issues
HKFRSs (Amendments)	Improvements to HKFRSs 2010
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the new HKFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

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

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

HKFRS 10	Consolidated Financial Statements <sup>2</sup>
HKFRS 11	Joint Arrangements <sup>2</sup>
HKFRS 12	Disclosure of interests in other entities <sup>2</sup>
HKFRS 13	Fair Value Measurement <sup>2</sup>
HKAS 1 (Amendments)	Presentation of items of other comprehensive income <sup>1</sup>
HKAS 19 (Revised 2011)	Employee benefits <sup>2</sup>
HKAS 27 (Revised 2011)	Separate Financial Statements <sup>2</sup>
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>2</sup> 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 2010.

In 2011, there were no significant changes in the business or economic circumstances that affect the fair value of the group’s financial assets and financial liabilities.

In 2011, there were no reclassifications of financial assets.

#### 4. SEGMENT INFORMATION

##### Industry segments – revenue and results

For the six months ended 30 June 2011

	Fibreboards HK\$'000 (unaudited)	Hotel operations HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Unallocated HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Turnover	<u>169,067</u>	<u>13,475</u>	<u>904</u>	<u>-</u>	<u>183,446</u>
Depreciation and amortization	(11,651)	(4,351)	-	(178)	(16,180)
Segment results	<u>(17,244)</u>	<u>(1,886)</u>	<u>1,143</u>	<u>1,430</u>	<u>(16,557)</u>
Interest income	50	24	-	167	241
Share of loss of an associate	(2,107)	-	-	-	(2,107)
Loss before taxation					(18,423)
Income tax					(391)
Loss for the period					<u>(18,814)</u>

For the six months ended 30 June 2010

	Fibreboards HK\$'000 (unaudited)	Hotel operations HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Unallocated HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Turnover	<u>174,442</u>	<u>8,882</u>	<u>716</u>	<u>-</u>	<u>184,040</u>
Depreciation and amortization	(10,430)	(3,370)	-	(187)	(13,987)
Segment results	<u>11,092</u>	<u>(3,699)</u>	<u>474</u>	<u>(2,820)</u>	<u>5,047</u>
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					<u>6,474</u>

4. SEGMENT INFORMATION – continued

Segment assets

At 30 June 2011

	Fibreboards HK\$'000 ( <i>unaudited</i> )	Hotel operations HK\$'000 ( <i>unaudited</i> )	Property investment HK\$'000 ( <i>unaudited</i> )	Unallocated HK\$'000 ( <i>unaudited</i> )	Consolidated HK\$'000 ( <i>unaudited</i> )
<b>ASSETS</b>					
Segment assets	354,167	113,892	75,485	–	543,544
Goodwill	89,880	–	–	–	89,880
Financial assets at fair value through profit or loss	–	–	–	2	2
Bank balances and cash	–	–	–	74,553	74,553
Other unallocated corporate assets	–	–	–	950	950
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Consolidated total assets at 30 June 2011	<u>444,047</u>	<u>113,892</u>	<u>75,485</u>	<u>75,505</u>	<u>708,929</u>

At 31 December 2010

	Fibreboards HK\$'000 ( <i>audited</i> )	Hotel operations HK\$'000 ( <i>audited</i> )	Property investment HK\$'000 ( <i>audited</i> )	Unallocated HK\$'000 ( <i>audited</i> )	Consolidated HK\$'000 ( <i>audited</i> )
<b>ASSETS</b>					
Segment assets	325,912	115,204	75,485	–	516,601
Goodwill	89,880	–	–	–	89,880
Financial assets at fair value through profit or loss	–	–	–	2	2
Bank balances and cash	–	–	–	114,036	114,036
Other unallocated corporate assets	–	–	–	1,123	1,123
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Consolidated total assets at 31 December 2010	<u>415,792</u>	<u>115,204</u>	<u>75,485</u>	<u>115,161</u>	<u>721,642</u>



#### 4. SEGMENT INFORMATION – continued

##### Other information

For the six months ended 30 June 2011

	Fibreboards HK\$'000 (unaudited)	Hotel operations HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Unallocated HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Addition of property, plant and equipment	6,052	1,848	–	4	7,904
Impairment loss on inventory	<u>3,154</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,154</u>

For the six months ended 30 June 2010

	Fibreboards HK\$'000 (unaudited)	Hotel operations HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Unallocated HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Addition of property, plant and equipment	9,097	6,863	–	10	15,970
Impairment loss on property, plant and equipment	<u>923</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>923</u>

##### Geographic segments – revenue and results

For the six months ended 30 June 2011

	The PRC HK\$'000 (unaudited)	Hong Kong HK\$'000 (unaudited)	Unallocated HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Turnover	<u>183,151</u>	<u>295</u>	<u>–</u>	<u>183,446</u>
Depreciation and amortization	(16,002)	–	(178)	(16,180)
Segment results	<u>(18,121)</u>	<u>134</u>	<u>1,430</u>	<u>(16,557)</u>
Interest income	74	–	167	241
Share of loss of an associate	(2,107)	–	–	<u>(2,107)</u>
Loss before taxation				(18,423)
Income tax				<u>(391)</u>
Loss for the period				<u>(18,814)</u>

4. SEGMENT INFORMATION – continued

Geographic segments – revenue and results – continued

For the six months ended 30 June 2010

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

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 measure reported to the Group's management for the purposes of resource allocation and performance assessment.

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

## 5. OTHER INCOME

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

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Valued added tax refunded	–	5,456
Interest income	241	382
Exchange gain	6,696	3,391
Gain on disposal of property, plant and equipment	–	27
Gain on disposal of land use rights	540	–
Gain on disposal of financial asset at fair value through profit or loss	–	256
Amounts recovered from debt assignment	–	5,438
	<u>                    </u>	<u>                    </u>

## 6. TAXATION

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax – Provision for PRC enterprises income tax	–	–
Prior year under/(over) provision for PRC enterprises income tax	<u>391</u>	<u>(1,968)</u>
	<u>391</u>	<u>(1,968)</u>

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

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

One of the Group's PRC subsidiaries 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 overprovision on PRC income tax for the period ended 30 June 2010 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.

## 6. TAXATION – continued

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

	Six months ended 30 June	
	2011 HK\$'000 ( <i>unaudited</i> )	2010 HK\$'000 ( <i>unaudited</i> )
(Loss)/profit before taxation	<u>(18,423)</u>	<u>4,506</u>
Tax at the domestic income tax rates applicable to profit in the respective country	(4,318)	950
Tax effect of non deductible expenses	11,084	9,876
Tax effect of non taxable revenue	(10,494)	(10,385)
Effect of tax exemptions granted to PRC subsidiaries	–	(441)
Prior year under/(over) provision for PRC enterprises income tax	391	(1,968)
Tax effect of tax losses not recognised	<u>3,728</u>	<u>–</u>
Tax effect for the period	<u>391</u>	<u>(1,968)</u>

The revaluation surplus 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. (LOSS)/PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2011 HK\$'000 ( <i>unaudited</i> )	2010 HK\$'000 ( <i>unaudited</i> )
Staff cost	21,558	20,250
Retirement benefit scheme contributions	1,901	1,682
Depreciation of property, plant and equipment	15,499	13,335
Amortisation of land use rights	681	652
Impairment loss on inventories	3,154	–
Impairment loss on property, plant and equipment	<u>–</u>	<u>923</u>

## 8. DIVIDEND

The Board does not declare any interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

## 9. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share is based on the loss of HK\$18,814,000 (six months ended 30 June 2010: a profit of HK\$6,474,000) and on 1,188,329,142 ordinary shares (30 June 2010: 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 for both period.

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

During the period, the Group spent approximately HK\$7,904,000 (six months ended 30 June 2010: HK\$15,970,000) on construction costs for a new office, hotel premise and manufacturing plant in the PRC in order to upgrade its manufacturing capabilities.

The Group's hotel property and investment properties as at 30 June 2011 were fair valued by the directors and valuation was arrived by reference to market evidence of transaction prices for similar properties.

The Directors considered that the carrying amount of the Group's hotel property and investment properties approximately to the fair value at 30 June 2011. There was no further revaluation surplus or deficit arising from the revaluation in respect of the Group's hotel property and the investment properties as at 30 June 2011 (six months ended 30 June 2010: Nil). Consequently, no revaluation surplus or deficit has been recognized in the current period.

## 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 2011 by directors. Valuation was made on the basis of value-in-use of the cash generating unit.

The directors considered the carrying amounts of the Group's goodwill carried at the revalued amounts and estimated that the carrying amounts as at 30 June 2011 do not differ significantly from the open market value of those goodwill as at 31 December 2010. Consequently, no impairment has been charged to the income statement in current period.

### 13. INVESTMENT IN AN ASSOCIATE

During the period, the Group established an associate with cost of HK\$10,108,000.

	30.6.2011 HK\$'000 (unaudited)	31.12.2010 HK\$'000 (audited)
Unlisted shares, at cost	10,108	–
Share of loss of an associate	(2,107)	–
Share of exchange reserve for the period	(22)	–
	<u>7,979</u>	<u>–</u>
Share of net assets	<u>7,979</u>	<u>–</u>

Details of the Group's associate as at 30 June 2011 are set out as follows:

Name of an associate	Place of registration/ operation	Paid up registered capital RMB	Proportion ownership interest held by the Company		Principal Activities
			2011	2010	
Foshan Nanhai Kangyao Board Co., Ltd.	People's Republic of China	20,000,000	42%	–	Production, processing and sales of overlaid wooden board products

Summarised financial information in respect of the Group's associate is set out below:

	30.6.2011 HK\$'000 (unaudited)	31.12.2010 HK\$'000 (audited)
Total assets	28,182	–
Total liabilities	(9,185)	–
	<u>18,997</u>	<u>–</u>
Net assets	<u>18,997</u>	<u>–</u>
Group's share of net assets of an associate	<u>7,979</u>	<u>–</u>

13. INVESTMENT IN AN ASSOCIATE – continued

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Total revenue	995	–
Loss and total comprehensive expense for the period	<u>(5,016)</u>	<u>–</u>
Group's share of loss of an associate	<u>(2,107)</u>	<u>–</u>

14. TRADE AND OTHER RECEIVABLES

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

	30.6.2011	31.12.2010
	HK\$'000	HK\$'000
	(unaudited)	(audited)
0 – 60 days	4,147	3,542
61 – 90 days	867	352
91 – 120 days	1,166	294
Over 120 days	<u>1,875</u>	<u>283</u>
Trade receivables	8,055	4,471
Other receivables	<u>26,523</u>	<u>21,134</u>
	<u>34,578</u>	<u>25,605</u>

Included in trade receivables at 30 June 2011 are trade receivables from an associate amounting to HK\$4,465,000 (31 December 2010: Nil).

Included in other receivables at 30 June 2011 are other receivables from an associate amounting to HK\$233,000. (31 December 2010: Nil)

The fair value of the Group's trade receivables and other receivables at 30 June 2011 equal approximately to the corresponding carrying amounts.

## 15. TRADE AND OTHER PAYABLES

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

	30.6.2011 HK\$'000 ( <i>unaudited</i> )	31.12.2010 HK\$'000 ( <i>audited</i> )
0 – 60 days	35,364	27,312
61 – 90 days	541	651
91 – 120 days	410	819
Over 120 days	<u>4,340</u>	<u>4,905</u>
Trade payables	40,655	33,687
Other payables	<u>150,004</u>	<u>150,788</u>
	<u>190,659</u>	<u>184,475</u>

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 thereon up to maturity, amounting to HK\$3,908,000, is now classified as other payables and become repayable on demand.

Included in trade payables at 30 June 2011 are trade payables from an associate amounting to HK\$77,000 (31 December 2010: Nil).

The fair value of the Group's trade and other payables at 30 June 2011 equal approximately to the corresponding carrying amounts.



## 16. SHARE CAPITAL

	Number of shares		Nominal value	
	30.6.2011 <i>(unaudited)</i>	31.12.2010 <i>(audited)</i>	30.6.2011 HK\$'000 <i>(unaudited)</i>	31.12.2010 HK\$'000 <i>(audited)</i>
Ordinary shares of HK\$0.10 each				
Authorised:	<u>3,000,000,000</u>	<u>3,000,000,000</u>	<u>300,000</u>	<u>300,000</u>
Issued and fully paid:	<u>1,188,329,142</u>	<u>1,188,329,142</u>	<u>118,833</u>	<u>118,833</u>

## 17. OPERATING LEASE ARRANGEMENTS

### The Group as lessee

At 30 June 2011, 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:

	30.6.2011 HK\$'000 <i>(unaudited)</i>	31.12.2010 HK\$'000 <i>(audited)</i>
Within one year	6,158	5,286
In the second to fifth years inclusive	16,182	15,612
Over five years	<u>17,419</u>	<u>18,699</u>
	<u>39,759</u>	<u>39,597</u>

### The Group as lessor

At 30 June 2011, the Group had contracted with tenants for the following future minimum lease payments:

	30.6.2011 HK\$'000 <i>(unaudited)</i>	31.12.2010 HK\$'000 <i>(audited)</i>
Within one year	3,255	1,657
In the second to fifth years inclusive	<u>8,553</u>	<u>1,128</u>
	<u>11,808</u>	<u>2,785</u>

## 18. CONTINGENT LIABILITIES

The Group had a maximum contingent consideration of HK\$48,000,000 in respect of the acquisition of the entire issued share capital of Can Manage Trading Limited ("Can Manage"). This amount would become payable, among others, if the consolidated net profit of Can Manage and its subsidiary, Foshan City Nanhai 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.

## 19. RELATED PARTY TRANSACTIONS

During the period from 1 January to 30 June 2011, the Group entered into the following transactions with related parties, including key management personnel and an associate of the Group:

### (a) Transactions with an associate

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Sales of products to an associate	3,352	-
Sales of equipment to an associate	300	-
Management fee income received from an associate	327	-
Rental income received from an associate	179	-
Purchase of raw material and consumable store from an associate	67	-

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

19. RELATED PARTY TRANSACTIONS – continued

(b) Outstanding balance with an associate:

	30.6.2011	31.12.2010
	HK\$'000	HK\$'000
	( <i>unaudited</i> )	( <i>audited</i> )
Trade receivables	4,465	–
Other receivables	233	–
Trade payables	<u>(77)</u>	<u>–</u>

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

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

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	( <i>unaudited</i> )	( <i>unaudited</i> )
Salary and other short term benefits	1,254	1,275
Post-employment employee benefits	<u>38</u>	<u>38</u>
	<u>1,292</u>	<u>1,313</u>

20. PLEDGE OF ASSETS

The net carrying value of land use rights of HK\$14,395,000 (2010:14,273,000) has been pledged for application of standby banking facilities (2010: no mortgage borrowings).