中國興業控股有限公司

China Investments Holdings Limited | Annual Report 2011

(Incorporated in Bermuda with limited liability)

(Stock Code: 132)

CONTENTS

CORPORATE INFORMATION

Executive Directors	You Guang Wu *(Chairman)* Su Wenzhao *(Managing Director)* Wu Yongqing *(Deputy Managing Director)*
Independent Non-executive Directors	Chan Kwok Wai Chen Da Cheng Deng Hong Ping
Registered Office	Clarendon House 2 Church Street Hamilton HM 11 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 HM 08 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

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

In the past year, the global economy remained fluctuating, the domestic inflation was severe and the raw material prices were still hiking, which brought a great pressure to the Group's business. For the year ended 31 December 2011, the Group's turnover amounted to HK$489,351,000, representing a decrease of 0.1%, compared with last year. Operating loss was HK$60,956,000, and an operating profit of HK$20,872,000 was recorded in the previous year.

Fibreboard Business

The fibreboard business faced fierce challenge and pressure in 2011. Under the condition that the raw material prices and the production costs were continuously hiking, the management strictly controlled the procurement, aggressively reduced the production costs and administrative expenses. However, the period average production costs still represented an increase of 8.5% over last year. At the same time, due to the gloomy furniture industry, the demand for medium density fibreboard from the market was weak, the supply-demand was imbalanced and the price competition became more and more intense, leading to a condition that the production costs were continuously raising but the product sales prices were not raised relatively, which considerably reduced the operating profit. For the year ended 31 December 2011, the total sales of medium density fibreboard were 286,505 cubic metres in volume terms and HK$452,791,000 in money terms respectively, representing a respective decrease of 8.6% and 2.1% over last year. The Group's fibreboard business recorded an operating loss of HK$62,806,000 in the current year.

Just as the report issued on 20 December 2011, the Group received an on-site production stop notification from Foshan environmental protection authority for reducing pollutant emissions and improving regional environment. Due to the unoptimistic attitude of the Board of Directors about the perspective of the fibreboard business, and it is extremely difficult to transfer all the production equipments to a suitable place, the Board of Directors determined to terminate all the Group's fibreboard business. All the fibreboard production had been ended on late December 2011, and presently in the process of dealing with follow-up works, such as assets disposal, and so on. The management is negotiating with the government in detail for the compensation issues of cessation of business and the related compensation will be recorded after agreement is signed.

Hotel Business

In the past year, Guilin Plaza Hotel seized the advantage of the hardware renovating, recording an annual average occupancy rate increase of 10.4% and an average room price increase of 15% over past year by aggressively advertising and promoting, and reasonably adjusting the room price. The management also enforced the promotion of banquets and conferences, leading to an 14.5% increase of party and meeting income. Furthermore, the hotel successfully attracted banks and SPA companies to station in, which increased the hotel's rent income and guest room and restaurant revenue, raising the hotel's total turnover to HK$34,594,000, an 34.4% increase over past year. As for the costs control, in the case of continuously rising prices, the hotel further reduced the operating costs by a series of strict measures, leading to average costs rate decrease of 1.6% over past year, and successfully turned loss to profit, recording a annual operating profit of HK$1,893,000, including the annual equipments depreciation and amortization of HK$6,317,000 led by renovating project last year.

Property Investment

The Group's annual rental income for 2011 amounted to HK$1,966,000, which was an increase of 26.8% over past year. Property occupancy rate was 67.4%, representing an improvement of 0.9% over past year.

CHAIRMAN'S STATEMENT (Continued)

FINANCIAL POSITION AND ANALYSIS

As at 31 December 2011, the Group had total assets of HK$636,739,000 (31 December 2010: HK$721,642,000). The Group had no bank loan and any other long-term debts (31 December 2010: Nil). Net assets was HK$477,025,000 (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 HK40.14 cents (31 December 2010: HK45.07cents).

The Group's net current assets amounted to HK$353,555,000 (31 December 2010: HK$135,710,000). Current ratio (being current assets divided by current liabilities) was approximately 3.21 times (31 December 2010: 1.73 times), while bank balances and cash amounted to HK$117,009,000 including bank balance and cash amounting to HK$54,301,000 which is grouped in assets classified as held for sale (31 December 2010: HK$114,036,000). Together with the compensation amounting to not less than RMB300,000,000 to be received pursuant to the Compensation Memorandum entered into with the Foshan Nanhai Government, we expect there will be sufficient funds to meet the working capital requirements for the Group's operations in the foreseeable future.

PLEDGE OF ASSETS

The net carrying value of land use rights of HK$14,923,000 (31 December 2010: HK$14,273,000) has been pledged for application of standby bank facilities to provide fund for future development (31 December 2010: no mortgage borrowings).

FOREIGN EXCHANGE EXPOSURE

The Group's main income and costs are denominated in Renminbi. In the Group's operating, the respect fluctuations of exchange rate of the income and costs can mutually offset. Meanwhile, the Group also had property and liabilities in Renminbi, which can mutually offset. However, due to the Group putting a great deal of business loans into domestic wholly-owned subsidiary company, treating Hong Kong as a base, the RMB appreciation and depreciation should bring exchange gain and loss respectively. It is estimated that, when the exchange rate of Renminbi to HK dollar appreciate or depreciate 5%, it will cause a operating profit increase or decrease of HK$15,470,000. Judging from the past several years, Renminbi is always in the trend of appreciation, and gradually became stable until the last half of 2008. The Board of Directors believed that the stable Renminbi appreciation would continue in the future, which will not bring big foreign exchange exposure to the Group. As at 31 December 2011, the Group recorded an exchange gain of HK$13,818,000 from the appreciation of Renminbi. Accordingly, the Group believes it currently has no specific needs to hedge against any foreign exchange risk in this regard.

OUTLOOK

Due to the termination of the Group's original core business, the Group will mainly focus on the other existing businesses – hotel investment and management, and property project investment and development. According to the present situation of domestic property market, the Group will make the most of the sufficient capital resources, centering the investment focus of property on commercial property, hotel property, industrial platform, travelling property and property for health, leisure and the aged. The Group will actively create conditions, and will enhance the management, service and competitiveness of the existing hotel, on the purpose of achieving the foresaid property project. At the same time, the smooth transition of the Group and the value creation for the shareholders can be realized by entering strategic partnership with the others and starting the other corresponding property services, such as property management and services for health, leisure and the aged.

YOU GUANG WU
Chairman
Hong Kong, 22 March 2012

CORPORATE GOVERNANCE REPORT

China Investments Holdings Limited (the "Company") puts great emphasis on corporate governance and is committed to maintaining the high standard of corporate governance which is reviewed and strengthened on a continued basis. The board of directors (the "Board") of the Company maintains and enhances the policies and practices of the Company in a timely, transparent, effective and responsible manner, so as to maintain good, solid and reasonable corporate governance. The Board believes that the Company and shareholders as a whole can derive maximum benefits from good corporate governance.

The Company has adopted all the provisions under the "Code on Corporate Governance Practice" (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") as its own code on corporate governance practice. For the year ended 31 December 2011, the Company has complied with all provisions under the Code.

GOVERNANCE STRUCTURE

The Company's corporate governance structure includes the Board and two committees under the Board, namely audit committee and remuneration committee. The Board stipulates the terms of reference of all committees in writing and specifies clearly the power and responsibilities of the committees.

BOARD MEMBERS

The Board comprises six directors, including three executive directors who have extensive experience in the Company's business, and three independent non-executive directors who possess appropriate professional qualifications.

Executive Directors
Mr. You Guang Wu *(Chairman)*
Mr. Su Wenzhao *(Managing Director)*
Mr. Wu Yongqing *(Deputy Managing Director)*

Independent Non-executive Directors
Mr. Chan Kwok Wai
Mr. Chen Da Cheng
Mr. Deng Hong Ping

All independent non-executive directors of the Company have complied with the requirements of the Listing Rules and have presented annual confirmations of independence issued pursuant to Rule 3.13 of the Listing Rules to the Company. The board has assessed their independence and confirms that all independent non-executive directors are independent parties as defined in the Listing Rules. The term of office of Mr. Chan Kwok Wai and Mr. Chen Da Cheng is for two years until 21 September 2012. The term of office of Mr. Deng Hong Ping is for two years until 5 April 2012. They are subject to the retirement and re-election requirements of the bye-laws of the Company.

CORPORATE GOVERNANCE REPORT (Continued)

Individual information and responsibilities of all directors are contained in this annual report on pages 12 to 14.

There are no business, financial, family and other relevant interests among directors.

THE OPERATION OF THE BOARD

The Board is principally responsible for establishing the development direction of the Group, formulating targets and business development plans, approving major agreements and matters, monitoring the performance of senior management and is responsible for corporate governance with a view to increasing shareholders' value. Led by the managing director, the management is responsible for implementing the strategies and plans developed by the Board.

The Company has developed a schedule of matters reserved to the Board for its decision and has separately identified those functions reserved to the Board. The Board will review those arrangements on a regular basis to ensure that the arrangements meet the needs of the Company.

The Board convenes at least four regular meetings each year (approximately one each quarter) and will convene meetings when necessary. When a regular board meeting is convened, the Board documents will be sent to directors for review before the meeting pursuant to the Listing Rules and the code provisions so that directors can keep abreast of the information to perform their duties and responsibilities.

All members of the Board have actively participated in the Company's Board meetings to discuss the overall strategy and business of the Group. The Board convened 9 meetings in 2011. The attendance of directors is as follows:

Name of Directors	Attendance	Attendance Rate
Executive directors		
You Guang Wu *(Chairman)*	8/9	89%
Su Wenzhao *(Managing Director)*	9/9	100%
Wu Yongqing *(Deputy Managing Director)*	9/9	100%
Independent non-executive directors		
Chan Kwok Wai	9/9	100%
Chen Da Cheng	9/9	100%
Deng Hong Ping	9/9	100%

CORPORATE GOVERNANCE REPORT (Continued)

The remuneration of directors is determined with reference to their functions and responsibilities in the Company, the performance of the Company and current market conditions. Any director is not allowed to participate in determining his own remuneration. The remuneration received by directors from the Group during the year is set out in note 12 of the financial statements.

The Board has set up an independent professional consulting procedure and upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

ROLES AND DUTIES OF CHAIRMAN AND MANAGING DIRECTOR

The chairman and the managing director have different roles. The chairman is responsible for the operation of the Board and the managing director is responsible for managing the operations of the Group. Their functions have been clearly divided to ensure a balanced distribution of power and authority not concentrating on a single individual.

In 2011, the chairman and the managing director of the Company were Mr. You Guang Wu and Mr. Su Wenzhao respectively. On 13 January 2012, Mr. Wu Yongqing was appointed as deputy managing director of the Company.

The chairman of the Board is principally responsible for leading the Board and ensures the Board acts in the best interests of the Company. The chairman shall ensure the Board operates effectively and performs its proper duties and discusses all important and proper matters in a timely manner. The chairman is responsible for convening board meetings, consulting, determining and approving the agenda of each board meeting, and ensuring that directors are provided sufficient information on current matters in a timely manner. The chairman is also responsible for the reviewing structure, number of members and composition of the Board on a regular basis and makes recommendations to the Board on any intended changes. The chairman is also responsible for ensuring that the Company formulates good corporate governance practice and procedure.

The managing director is principally responsible for the daily operation and management of the Group's overall operations and implementing the Board's operating strategy and policy and delegating tasks to all departments for implementation so as to realize the Board's objectives and decisions. In addition, he is also responsible for coordinating close cooperation among all departments, uniting efforts of staff and encouraging the initiative of staff so as to ensure smooth and effective operation of the Company's operations and systems.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("the Model Code") set out in Appendix 10 to the Listing Rules of The Stock Exchange of Hong Kong Limited as the code of conduct regarding securities transactions by directors. On specific enquiries made, all directors have confirmed that, in respect of the year ended 31 December 2011, they have complied with the required standard as set out in the Model Code.

CORPORATE GOVERNANCE REPORT (Continued)

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors with extensive experience in accounting or legal matters. The audit committee is mainly responsible for reviewing the financial statements and annual reports and accounts of the Company, submitting relevant reports and recommendations to the Board, and making recommendations on the appointment and remuneration of the auditors of the Company and any matters related to the termination of appointment. Mr. Chan Kwok Wai is the chairman of the audit committee and is responsible for reporting the meeting results and recommendations of the audit committee to the Board after each meeting.

In 2011, the audit committee convened two meetings. Members and their attendance are as follows:

Name of Members	Attendance	Attendance Rate
Chan Kwok Wai *(Chairman of audit committee)*	2/2	100%
Chen Da Cheng	2/2	100%
Deng Hong Ping	2/2	100%

Tasks undertaken by the audit committee during the year included reviewing the 2010 audited financial statements and the annual results announcement, reviewing the interim report for the six months ended 30 June 2011 and the interim results announcement, considering the accounting standards adopted, overseeing the financial control, internal control and risk management system, reviewing the management letter about audit submitted by the auditors to the management and the response of the management, the basis of opinion made by the auditors in their report.

REMUNERATION COMMITTEE

The remuneration committee comprises three independent non-executive directors and two executive directors. The remuneration committee is principally responsible for reviewing and approving remuneration plans for directors and senior management, determining the remuneration package of executive directors and senior management, including benefits, pension interests and the payment of compensation. Mr. Chen Da Cheng is the chairman of the remuneration committee and is responsible for reporting the meeting results and recommendations of the remuneration committee to the board after each meeting.

CORPORATE GOVERNANCE REPORT (Continued)

In 2011, the remuneration committee convened one meeting. Members and their attendance are as follows:

Name of Members	Attendance	Attendance Rate
Chen Da Cheng *(Chairman of the remuneration committee)*	1/1	100%
Chan Kwok Wai	1/1	100%
Deng Hong Ping	1/1	100%
You Guang Wu	1/1	100%
Su Wenzhao	1/1	100%

Tasks undertaken by the remuneration committee during the year included reviewing the emoluments of the Group, determining the emoluments of the executive directors and senior management and considering the incentive payment for the year ended 2010 and making recommendations to the board. The remuneration committee also ensures that no director or senior management member determines his own remuneration.

The remuneration policy of the Group is to determine the remuneration based on the responsibilities, qualifications and working performance of staff (including directors). In addition, the Group has adopted the share option scheme on 20 May 2003. Currently, the Group has not granted any share options.

DIRECTOR NOMINATION

Pursuant to the bye-laws of the Company, the Board is entitled to appoint any person as director from time to time or at any time to fill a casual vacancy or add a new board member. For nomination, the nominee's qualifications, capabilities and potential to make contribution to the Company shall be taken into consideration. The Board has not established the nomination committee at the moment. However, the Board will establish the nomination committee to deal with the appointment, re-election and retirement of directors.

INTERNAL CONTROL

The Board is responsible for maintaining a stable and effective internal control system for the Group. The system includes a management structure with terms of reference to protect its assets from misappropriation, and ensures keeping appropriate accounting records so as to provide reliable financial information for internal use or for dissemination, as well as ensuring compliance with the laws and regulations. The system aims at providing reasonable (but not absolute) guarantees for the prevention of material untrue statements or losses, as well as management on the interruption of the Group's management system and risks existing in the course of arriving at the Group's objectives.

CORPORATE GOVERNANCE REPORT (Continued)

The management of the Group has reviewed whether the Group's internal control and risk management system for the year ended 31 December 2011 were effective, and had submitted the results of the review and its recommendations and opinions for consideration by the audit committee and the Board. The audit committee and the Board have discussed the relevant results of review, and agreed that internal control procedures and risk management systems have been implemented in the various major operation sectors.

ACCOUNTABILITY AND AUDIT

Directors acknowledge their responsibility in preparing financial statements of the Group.

The financial department of the Company is managed by a qualified accountant. With the assistance of the financial department, the Board will ensure the preparation of the financial statements of the Group complies with relevant regulations and applicable accounting standards.

For the year ended 31 December 2011, the audit fee was HK$1,000,000 and the non-audit services fee was HK$84,000 being reviewing of cessation of fibre board business and audit of occupational Retirement Schemes.

The statement of reporting responsibility issued by HLM & Co., the auditors of the Company, in respect of the financial statements of the Group is set out in the independent auditor's report on pages 19 to 20.

COMMUNICATION WITH SHAREHOLDERS

The Company has maintained communication with shareholders through the annual general meeting or other general meetings and encourages them to participate in general meetings. Registered shareholders receive notices of general meetings by post. The notice of general meeting contains the agenda, the proposed resolutions and the voting form. Any registered shareholder is entitled to attend the annual general meeting and special general meetings provided that their shares must be registered in the register of members. Shareholders who are unable to attend the general meeting can fill in the proxy form attached with the notice of general meeting and return the same to the Company so as to appoint their representatives or the chairman of the meeting as their proxies. The procedure for demanding voting by poll is set out in the circular to shareholders sent together with the notice of general meeting and will be read out by the chairman of the meeting at the general meeting.

At the 2011 annual general meeting, all directors were present to answer questions raised by shareholders and proposed separate resolutions in respect of each separate issue for shareholders to vote thereon. The Company appointed representatives of the share registrar and transfer office of the Company to act as scrutineers, to ensure that votes cast are properly counted and recorded, and announced the results of the poll in accordance with the bye-laws of the Company and the Listing Rules.

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company's principal subsidiaries are set out in note 33 to the financial statements.

RESULTS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income on page 21.

INVESTMENT PROPERTIES

The Group revalued all of its investment properties at the year ended date. No revaluation surplus or deficit in current year (2010: Nil). Details of such revaluation are set out in note 15 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Movements during the year of the Group's property, plant and equipment are set out in notes 16 to the financial statements.

Particulars regarding the Group's major properties are set out on pages 81 to 82.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 27 to the financial statements.

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' REPORT (Continued)

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in consolidated statement of changes in equity on pages 24 and 25 respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2011, the Company had no reserves available for cash distribution and/or distribution in specie, except that under the laws of Bermuda, the Company's share premium account, in the amount of approximately HK$484,159,000, may be distributed in the form of fully paid bonus shares.

DIRECTORS

The Directors of the Company during the year and up to the date of this report are:

Executive Directors
Mr. You Guang Wu *(Chairman)*
Mr. Su Wenzhao *(Managing Director)*
Mr. Wu Yougqing *(Deputy Managing Director)*

Independent Non-Executive Directors
Mr. Chan Kwok Wai
Mr. Chen Da Cheng
Mr. Deng Hong Ping

In accordance with the provisions of the Company's Bye-laws, Mr. You Guang Wu and Mr. Chan Kwok Wai shall retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The term of office of each Independent Non-Executive Director is two years.

DIRECTORS' REPORT (Continued)

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

You Guang Wu, aged 47, is the chairman of the Company. Mr. You joined the Company as independent non-executive director of the Company in September 2004 and was redesignated as an executive director and was appointed vice chairman of the board of the Company on 6 April 2006. On 26 February 2009, Mr. You was appointed as the Chairman of the board and a member of the remuneration committee of the board of the Company. Mr. You is a senior accountant in the PRC. Mr. You holds a master degree in economics, and is now a doctorate candidate in finance of Zhongnan University of Economics and Law. He has accumulated extensive experience in investment, financing and financial management.

Su Wenzhao, aged 56, was appointed as an executive director of the Company on 20 January 2009 and the managing director of the Company and a member of the remuneration committee of the board of the Company on 26 February 2009. Mr. Su graduated from Sun Yat-sen University, with a diploma in philosophy, and has extensive management experience of more than 25 years.

Wu Yongqing, aged 49, was appointed as an executive director of the Company on 22 July 2010 and the deputy managing director of the Company on 13 January 2012. He holds a diploma in corporate management and has more than 20 years of extensive management experience.

Independent Non-Executive Directors

Chan Kwok Wai, aged 53, was appointed as an independent non-executive director of the Company in September 2004 and is the chairman of the audit committee and a member of the remuneration committee of the board of the Company. Mr. Chan holds a bachelor degree in Accounting and Commerce, and is an associate member of the CPA Australia and a member of Hong Kong Securities Institute. He has over 30 years of experience in the finance and accounting industry. Mr. Chan is also currently independent non-executive director of 5 listed public companies in Hong Kong, namely Chinese Estates Holdings Limited, Tern Properties Company Limited, National Electronics Holdings Limited, Far East Consortium International Limited and Junefield Department Store Group Limited.

Chen Da Cheng, aged 47, was appointed as an independent non-executive director of the Company in September 2004 and is a member of the audit committee and the chairman of the remuneration committee of the board of the Company. Mr. Chen graduated from the Sun Yat-sen University and is a practicing solicitor in the PRC. He has over 20 years of experience in legal services.

* *For identification purpose only*

DIRECTORS' REPORT (Continued)

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Independent Non-Executive Directors

Deng Hong Ping, aged 38, was appointed as an independent non-executive director of the Company on 6 April 2006 and is a member of the audit committee and remuneration committee of the board of the Company. Mr. Deng holds a Bachelor Degree in marine engineering of the Ocean University of China in Guangdong and graduated in master of economics and legal studies of Huazhong University of Science and Technology. Mr. Deng is a practicing lawyer in the PRC and he has accumulated extensive experience in legal sectors, particularly in enterprises mergers and acquisition and debt reorganization.

Financial Controller

Ng Chun Hing, aged 47, was appointed as the qualified accountant of the Company in July 2004 and was appointed as the financial controller of the Company on 1 March, 2011. Mr. Ng graduated from Curtin University of Technology with a Bachelor of Commerce degree majoring in accounting and subsequently obtained a Master of Professional Accounting from The Hong Kong Polytechnic University. He is a Fellow Member of the Hong Kong Institute of Certified Public Accountants and a Certified Practicing Accountant Member of the CPA Australia. He has over 20 years of experience in the accounting and financing field.

Note: The Group's businesses are under the direct responsibility of the above executive directors who are regarded as members of the senior management of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2011, none of the Directors, or their associates, had any interests in any securities of the Company or any of its associated corporation.

DIRECTORS' REPORT (Continued)

SUBSTANTIAL SHAREHOLDERS

As at 31 December 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 31 December 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 Company Limited	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%

DIRECTORS' REPORT (Continued)

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 term 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 Company Limited 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 OPTION SCHEME

A share option scheme was adopted by the Company on 20 May, 2003 (the "Scheme"). During the year, no options was granted, exercised, lapsed or cancelled under the Scheme. At 31 December 2011 and 2010, there were no options outstanding under the Scheme.

The primary purpose of the Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including Directors, and business associates of the Company and its subsidiaries, to subscribe for ordinary shares in the Company, in accordance with the terms of the Scheme.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at the date of approval of the Scheme without prior approval from the Company's shareholders.

The subscription price for shares of the Company under the Scheme will be highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the offer date (which date must be a business day), (ii) a price being the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date, and (iii) the nominal value of a share of the Company.

An option may be exercised during a period to be determined by the Directors in its absolute discretion and in any event such period shall not be longer than 2 years which shall commence on the expiry of 1 month after the date of grant.

DIRECTORS' REPORT (Continued)

The maximum entitlement for any one participant is that the total number of ordinary shares of the Company issued and to be issued upon exercise of the options granted to such participant under the Scheme and any other option schemes of the Company (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of ordinary shares of the Company in issue.

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.

No charge is recognised in the consolidated statement of comprehensive income in respect of the value of options granted for both years.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed shares.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the listing rules of The Hong Kong Stock Exchange Limited.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to HK$48,000.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the largest supplier accounted for 5% of the Group's purchases and the five largest suppliers accounted for 22% of the Group's total purchases. The largest customer accounted for 2% of the Group's turnover and the five largest customers accounted for 9% of the Group's total turnover.

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's share capital) has an interest in the Group's five largest suppliers and customers.

DIRECTORS' REPORT (Continued)

EMPLOYEES

The total number of employees of the Group is approximately 300 (31 December 2010: 993). The remuneration of each employee of the Group is determined on the basis of his or her performance and responsibility. The Group provides education allowances to the employees.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

AUDITORS

The consolidated financial statements for the year ended 31 December 2011 were audited by HLM & Co. who will retire and will seek for re-election at the forthcoming annual general meeting.

On behalf of the Board
China Investments Holdings Limited

You Guang Wu
Chairman

Hong Kong, 22 March 2012

INDEPENDENT AUDITORS' REPORT

恒健會計師行
HLM & Co.
Certified Public Accountants

Room 305, Arion Commercial Centre
2-12 Queen's Road West, Hong Kong.
香港皇后大道西2-12號聯發商業中心305室
Tel 電話: (852) 3103 6980
Fax 傳真: (852) 3104 0170
E-mail 電郵: hlm@hlm.com.hk

TO THE MEMBERS OF CHINA INVESTMENTS HOLDINGS LIMITED
中國興業控股有限公司
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Investments Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 21 to 79, which comprise the consolidated and Company statement of financial positions as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITORS' REPORT (Continued)

AUDITORS' RESPONSIBILITY (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLM & Co.
Certified Public Accountants
Hong Kong

22 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000 (restated)
Continuing operations			
Turnover	6	**36,560**	27,300
Cost of sales and services		**(17,123)**	(14,200)
Gross profit		**19,437**	13,100
Other operating income	7	**12,835**	9,204
Selling and distribution costs		**(572)**	(587)
Administrative expenses		**(27,102)**	(25,579)
Profit/(loss) before taxation		**4,598**	(3,862)
Income tax expense	8	**(2,748)**	–
Profit/(loss) for the year from continuing operations	11	**1,850**	(3,862)
Discontinued operations			
(Loss)/profit for the year from discontinued operations	9	**(62,806)**	24,734
(Loss)/profit for the year and attributable to owners of the Company		**(60,956)**	20,872
Other comprehensive income/(expense)			
Exchange differences arising on translation of foreign operations		**555**	(205)
Surplus on revaluation of hotel properties		**1,886**	5,506
Other comprehensive income for the year		**2,441**	5,301
Total comprehensive (expense)/income for the year and attributable to owners of the Company		**(58,515)**	26,173
(Loss)/earnings per share	14		
From continuing and discontinued operations			
Basic		**(HK5.13 cents)**	HK1.76 cents
Diluted		**N/A**	N/A
From continuing operations			
Basic		**HK0.16 cents**	(HK0.32 cents)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Non-current assets			
Investment properties	15	**11,801**	11,801
Property, plant and equipment	16	**111,669**	244,943
Land use rights	17	**–**	53,206
Goodwill	18	**–**	89,880
		123,470	399,830
Current assets			
Properties held for sale	21	**63,429**	63,429
Inventories	22	**1,927**	118,740
Trade and other receivables	23	**3,997**	25,605
Financial assets at fair value through profit or loss	24	**1**	2
Bank balances and cash	25	**62,708**	114,036
		132,062	321,812
Assets classified as held for sale	10	**381,207**	–
		513,269	321,812
Current liabilities			
Trade and other payables	26	**92,710**	184,475
Tax payable		**2,087**	1,627
		94,797	186,102
Liabilities directly associated with assets classified as held for sale	10	**64,917**	–
		159,714	186,102
Net current assets		**353,555**	135,710
Total assets less current liabilities		**477,025**	535,540
Capital and reserves			
Share capital	27	**118,833**	118,833
Reserves		**358,192**	416,707
Equity attributable to owners of the Company		**477,025**	535,540

The financial statements on pages 21 to 79 were approved and authorised for issue by the Board of Directors on 22 March 2012 and are signed on its behalf by:

YOU GUANG WU
Director

SU WENZHAO
Director

STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Non-current asset			
Investments in subsidiaries	20	**23,607**	23,607
Current assets			
Amounts due from subsidiaries		**345,604**	343,013
Deposits and other receivables		**690**	517
Bank balances and cash	25	**162**	5,764
		346,456	349,294
Current liabilities			
Other payables		**79,460**	79,209
Net current assets		**266,996**	270,085
		290,603	293,692
Capital and reserves			
Share capital	27	**118,833**	118,833
Reserves		**171,770**	174,859
		290,603	293,692

The financial statements on pages 21 to 79 were approved and authorised for issue by the Board of Directors on 22 March 2012 and are signed on its behalf by:

YOU GUANG WU
Director

SU WENZHAO
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 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
THE GROUP							
At 1 January 2010	118,833	484,159	30,119	34,435	(54,698)	(103,481)	509,367
Surplus on revaluation of hotel properties	–	–	–	5,506	–	–	5,506
Release of revaluation reserve of hotel properties	–	–	–	(2,108)	–	2,108	–
Transfer to statutory reserve	–	–	1,634	–	–	(1,634)	–
Exchange differences arising on translation of foreign operations	–	–	–	–	(205)	–	(205)
Profit for the year	–	–	–	–	–	20,872	20,872
At 31 December 2010 and 1 January 2011	**118,833**	**484,159**	**31,753**	**37,833**	**(54,903)**	**(82,135)**	**535,540**
Surplus on revaluation of hotel properties	–	–	–	1,886	–	–	1,886
Release of revaluation reserve of hotel properties	–	–	–	(1,164)	–	1,164	–
Exchange differences arising on translation of foreign operations	–	–	–	–	555	–	555
Loss for the year	–	–	–	–	–	(60,956)	(60,956)
At 31 December 2011	**118,833**	**484,159**	**31,753**	**38,555**	**(54,348)**	**(141,927)**	**477,025**

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.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2011

	Share capital HK$'000	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
THE COMPANY				
At 1 January 2010	118,833	484,159	(306,164)	296,828
Loss for the year	–	–	(3,136)	(3,136)
At 31 December 2010 and 1 January 2011	**118,833**	**484,159**	**(309,300)**	**293,692**
Loss for the year	–	–	(3,089)	(3,089)
At 31 December 2011	**118,833**	**484,159**	**(312,389)**	**290,603**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
Operating activities		
(Loss)/profit for the year	**(60,956)**	20,872
Adjustment for:		
Interest income	**(910)**	(954)
Income tax expenses/(credit)	**2,437**	(4,243)
Impairment loss on property, plant and equipment	**21,438**	947
Impairment loss on inventories	**9,865**	–
Exchange gain	**(13,818)**	(11,339)
Depreciation of property, plant and equipment	**28,493**	27,063
Provision for loss in litigation written back	**–**	(5,438)
Gain on disposal of land use rights	**(2,980)**	(643)
Amortisation of land use rights	**1,379**	1,314
Unrealised holding loss on financial assets at fair value through profit or loss	**1**	–
Gain on disposal of financial assets at fair value through profit or loss	**–**	(256)
Share of loss of an associate	**7,407**	–
(Gain)/loss on disposal of property, plant and equipment	**(2,915)**	16
Operating cash flow before movements in working capital	**(10,559)**	27,339
Decrease/(increase) in inventories	**62,783**	(31,020)
(Increase)/decrease in trade and other receivables	**(14,374)**	20,456
(Decrease)/increase in trade and other payables	**(28,550)**	12,256
Cash generated from operation	**9,300**	29,031
Tax paid	**(722)**	(657)
Tax refunded	**318**	1,116
Net cash generated from operating activities	**8,896**	29,490

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended 31 December 2011

	2011	2010
	HK$'000	HK$'000
Investing activities		
Purchases of property, plant and equipment	**(7,574)**	(41,150)
Acquisition of an associate	**(10,108)**	–
Net proceeds from disposal of land use rights	**2,980**	643
Net proceeds from disposal of financial assets at fair value through profit or loss	**–**	3,064
Interest received	**776**	939
Net proceeds from disposal of property, plant and equipment	**3,195**	239
Net cash used in investing activities	**(10,731)**	(36,265)
Net decrease in cash and cash equivalents	**(1,835)**	(6,775)
Cash and cash equivalents at 1 January	**114,036**	115,888
Effect of foreign exchange rates changes	**4,808**	4,923
Cash and cash equivalents at 31 December	**117,009**	114,036
Analysis of the balances of cash and cash equivalents, being:		
Bank balances and cash	**117,009**	114,036

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

During the year, the principal activities of the Group are property development and investment, hotel operation, investment holding, and manufacturing and trading of fibreboards ("Fibreboard Business"). This Fibreboard Business was discontinued in December 2011. Details are set out in note 9. Accordingly, the comparative figures of the consolidated statement of comprehensive income for the year ended 31 December 2010 have been restated to reflect the discontinuance of this operation.

The consolidated financial statements are presented in Hong Kong dollars, which is considered as the functional currency of the Group.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has adopted the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective for the Group's financial year beginning on 1 January 2011.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (Revised in 2008), HKFRS 7, HKAS 1 and HKAS 28
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosure for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendment)	Classification of Rights Issues
HK(IFRIC) – Int 14 (Amendment)	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 consolidated financial statements of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (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 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[6]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Asset[2]
HKAS 32 (Amendments)	Presentation – Offsetting Financial Assets and Financial Liabilities[5]
HKAS 19 (as revised in 2011)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

[1] Effective for annual periods beginning on or after 1 July 2011.
[2] Effective for annual periods beginning on or after 1 January 2012.
[3] Effective for annual periods beginning on or after 1 July 2012.
[4] Effective for annual periods beginning on or after 1 January 2013.
[5] Effective for annual periods beginning on or after 1 January 2014.
[6] Effective for annual periods beginning on or after 1 January 2015.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and financial assets at fair value through profit or loss, which are measured at revalued amounts or fair values as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with the new HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective date of disposal, as appropriate.

All significant intra-group transactions, balances, income and expenses have been eliminated on consolidation.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies be in line with those used by other members of the Group.

Goodwill

Goodwill arising on acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's share of the identifiable assets and liabilities at the date of acquisition.

Goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated statement of comprehensive income. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the carrying amount of goodwill is included in the determination of profit or loss on disposal.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

Investments in associate

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associate (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 is 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.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

i. Hotel Property

Hotel properties are stated in the statement of financial position at their open market value based on independent professional valuations at each year ended date. The Group has resolved to account for the hotel properties using the revaluation model.

ii. Property, plant and equipment (other than Hotel properties)

Property, plant and equipment (other than hotel properties) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment (other than hotel properties) over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Land and buildings in Hong Kong under medium-term leases	Over the lease term
Land and buildings outside Hong Kong under medium-term leases	2.5% to 4.5% or over the lease term, if shorter
Furniture, equipment and leasehold improvements	10% to 30%
Plant and machinery	10% to 30%
Motor vehicles	15% to 30%

iii. Construction in progress

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when it is completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the consolidated statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current asset (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated as at fair value through profit or loss on initial recognition. All regular purchases or sales of financial assets at fair value through profit or loss are recognised and derecognised on a trade date basis. Regular purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place. At each year ended date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, when the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's statement of financial position (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the year ended date, and are discounted to present value where the effect is material.

Impairment losses (other than goodwill)

At each year ended date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired.

Turnover

Turnover represents the gross amounts received and receivable for revenue arising on hotel operations, and goods sold by the Group to outside customers, less return and allowances and gross rental income during the year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

(i) Hotel operations

Revenue arising from hotel operations is recognised when the relevant services are rendered.

(ii) Sales of goods

Sales of goods other than properties are recognised when goods are delivered and title has passed.

(iii) Rental income

Rental income arising from properties let under operating leases is recognised on a straight-line basis over the periods of the respective leases.

(iv) Interest income

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the year ended date.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each year ended date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Government grants

A government grant is recognised only when there is reasonable assurance that (a) the enterprise will comply with any conditions attached to the grant and (b) the grant has been approved and will be received. Government grants shall be recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. They shall not be credited directly to shareholders' interests. A grant receivable as compensation for costs already incurred or for immediate financial support, with no future related costs, should be recognised as income in the period in which it is receivable. Grants related to income are presented as a credit in the consolidated statement of comprehensive income, under a general heading"Other income".

Retirement benefits scheme

Payments to defined contribution retirement scheme are charged as an expense as they fall due.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated statement of comprehensive income on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of each reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the exchange reserve.

Cash and cash equivalents

Cash and cash equivalents represent cash at bank and on hand, time deposits with banks and other financial institutions, and short-term liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value, having been within three months of maturity at acquisition. For the purpose of the consolidated statement of cash flows, bank overdrafts or bank loans, if any, which are repayable on demand and form an integral part of an enterprise's cash managements are also included as component of cash and cash equivalents.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management has made the following estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Estimated the useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will revise the depreciation charge where useful lives are different to previously estimated, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Estimated impairment of property, plant and equipment

Machinery and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the higher of fair value of the machinery and equipment less costs to sell or the value-in-use calculations. An impairment loss is measured as the difference between the asset's carrying amount and the recoverable amount. Where the recoverable amount is less than expected, a material impairment loss may arise. As at 31 December 2011, the Group reported impairment loss of HK$21,438,000 for certain machinery, equipment and motor vehicles (2010: HK$947,000).

Estimate of impairment of hotel properties

Hotel properties are reviewed by management for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of fair value less costs to sell and value in use of the hotel properties. Management makes judgements on whether such events or changes in circumstances have occurred, and makes estimates in determining the recoverable amount.

Estimation of fair value of investment properties

Investment properties were revalued as at 31 December 2011 based on the appraised market value by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs. The carrying amount of investment properties at 31 December 2011 was HK$11,801,000 (2010: HK$11,801,000).

Estimate of net realizable value of properties held for sale

Management reviews the recoverable amount of properties held for sale at the end of each reporting period. The recoverable amount is the estimated selling price of the properties less costs to sell. Management makes estimates in determining the recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Estimate of impairment of inventories

The management of the Group reviews an aging analysis at the end of each reporting period, and identifies obsolete and slow-moving inventory items that are no longer suitable for use in production. The management estimates the net realisable value for such finished goods and work-in-progress based primarily on the latest invoice prices and current market conditions. The Group carries out a review of the inventories on a product-by-product basis at the end of each reporting periods and provide impairment on obsolete items.

Estimated allowance for doubtful debts of trade and other receivables

The Group makes allowance for doubtful debts based on an assessment of the recoverability of trade and other receivable. Allowances are made on trade and other receivable whenever there is any objective evidence that the balances may not be collectible. In determining whether an allowance for bad and doubtful debts is required, the Group takes into consideration the aging status and the likelihood of collection. Following the identification of doubtful debts, the management investigate the relevant debts and report on the recoverability. Specific allowance is only made for those trade and other receivable that are unlikely to be collected. Where the expectation on the recoverability of trade and other receivable is different from the original estimate, such difference will impact the carrying amounts of debtors and doubtful debt expenses in the periods in which such estimate has been changed.

The carrying amount of trade and other receivable from continued operations and discontinued operations at 31 December 2011 are HK$3,997,000 (2010: HK$25,605,000) and HK$36,116,000 respectively. Details of the recoverable amount calculation are disclosed in note 23 and note 10 respectively.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

5. FINANCIAL RISK MANAGEMENT

The Group's businesses are principally conducted in the PRC and Hong Kong and accordingly are subject to special considerations and several risks.

Foreign Exchange Exposure

The Group mainly earned revenue and incurred cost in Renminbi ("RMB") and Hong Kong Dollar. The effect of exchange rate fluctuation on earned revenue and incurred cost would be able to offset each other in the business operation of the Group. In past several years, the exchange rates of Renminbi to Hong Kong Dollars kept on increasing till the second half of 2008 when it became stable. The directors expect that Renminbi's exchange rate 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.

The carrying amount of the Group's and Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	The Group At 31 December		**The Company At 31 December**	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Assets				
Denominated in Renminbi	**87,116**	74,562	**–**	–
Denominated in US dollars	**294**	6,306	**–**	–
	87,410	80,868	**–**	–
Liabilities				
Denominated in Renminbi	**75,770**	102,538	**–**	–

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

5. FINANCIAL RISK MANAGEMENT (Continued)

Foreign Exchange Exposure (Continued)

The following shows the sensitivity analysis of a 5% increase/decrease in RMB against the Hong Kong dollars. The sensitivity analysis includes only RMB dollars denominated monetary items and adjusts their translation at the year and for a 5% change in RMB dollars rates. If there is a 5% increase/decrease in RMB against the Hong Kong currencies, the effect in the profit for the year is as follows:

	The Group		The Company	
	At 31 December		At 31 December	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Increase/decrease in profit for the year	**15,470**	15,763	**–**	–

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

Interest rate risk

The Group does not have any significant exposure to the risk of changes in market interest rates as the Group does not have any long term receivables/liabilities which are subject to floating interest rate.

Liquidity risk management

Ultimate responsibility for liquidity risk management rest with the board of directors. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

As at 31 December 2011, the Group's net current assets amounted to HK$353,555,000 (2010: HK$135,710,000), current ratio (being current assets divided by current liabilities) was approximately 3.21 times (2010: 1.73 times), while total current assets amounted to HK$513,269,000 (2010: HK$321,812,000), which is sufficient to meet the capital requirement of the Group's operations and development in the near future.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

5. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk management (Continued)

The following tables detail the Group's remaining contractual maturity for its financial liabilities at the end of the reporting period:

	2011			
	On demand HK$'000	**Within 1 year HK$'000**	**1-3 years HK$'000**	**Total HK$'000**
Trade and other payables	92,710	–	–	92,710
Tax payables	2,087	–	–	2,087
	94,797	–	–	94,797

	2010			
	On demand HK$'000	Within 1 year HK$'000	1-3 years HK$'000	Total HK$'000
Trade and other payables	184,475	–	–	184,475
Tax payables	1,627	–	–	1,627
	186,102	–	–	186,102

Credit risk

As at 31 December 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Details of the Group's credit policies are included in note 23.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

5. FINANCIAL RISK MANAGEMENT (Continued)

Securities price risk

The Group's investments in equity are Hong Kong listed equity. Those financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity securities price risk. The management manages this exposure by maintaining a portfolio of investment with a limited budget. The sensitivity analysis has been determined based on the exposure to equity securities price risk.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity securities price risk at the reporting date. For sensitivity analysis purpose, the sensitivity rate is 5% in the current year.

If listed equity prices had been 5% higher/lower (2010: 5% higher/lower), loss for the year ended 31 December 2011 would increase/decrease by HK$50 (2010: HK$100). This is mainly due to the changes in fair value of financial assets at fair value through profit or loss.

Fair value

i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at 31 December 2011 across the three levels of the fair value hierarchy defined in HKFRS 7, financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:–

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

5. FINANCIAL RISK MANAGEMENT (Continued)

Fair value (Continued)

i) *Financial instruments carried at fair value (Continued)*

At 31 December 2011, the Group had following financial instruments carried at fair value all of which are based on the Level 1 of the fair value hierarchy:–

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Assets		
Financial assets at fair value through profit or loss	**1**	2

At 31 December 2011, the Company did not have any financial instruments carried at fair value.

During the year ended 31 December 2011, there were no transfers between financial instruments in Level 1 and Level 2.

ii) *Fair values of financial instruments carried at other than fair value*

At 31 December 2011 and 2010, the Group has no financial instruments carried at cost or amortised cost.

iii) *The fair values of financial assets and financial liabilities are determined as follows:–*

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted active bid prices and ask prices respectively; and

- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into two operating divisions – hotel operations and property investment. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Hotel operations	–	hotel ownership and management
Property investment	–	holding investment properties and properties held for sale

Fibreboards operations was discontinued in the current year. The segment information reported on this note does not include any amounts for these discontinued operations, which are described in more detail in note 9.

Segment information about these continuing operations is presented below.

2011

	Hotel operations HK$'000	Property investment HK$'000	Unallocated HK$'000	Consolidated HK$'000
TURNOVER	**34,594**	**1,966**	**–**	**36,560**
RESULTS				
Depreciation and amortisation	**6,317**	**–**	**357**	**6,674**
Segment results	**1,893**	**4,306**	**–**	**6,199**
Interest income	**56**	**160**	**317**	**533**
Net unrealised holding loss on financial assets at fair value through profit or loss	**–**	**–**	**(1)**	**(1)**
Net other unallocated corporate expense	**–**	**–**	**(2,133)**	**(2,133)**
Profit before taxation				**4,598**
Income tax expense				**(2,748)**
Profit for the year from continuing operations				**1,850**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Segments Assets and Liabilities

	Hotel operations HK$'000	Property investment HK$'000	Unallocated HK$'000	Total segment assets HK$'000	Assets relating to Fibreboards (now discontinued) HK$'000	Consolidated HK$'000
ASSETS						
Segment assets	116,045	75,565	–	191,610	237,026	428,636
Goodwill	–	–	–	–	89,880	89,880
Financial assets at fair value through profit or loss	–	–	1	1	–	1
Bank balances and cash	–	–	62,708	62,708	54,301	117,009
Other unallocated corporate assets	–	–	1,213	1,213	–	1,213
Consolidated total assets	116,045	75,565	63,922	255,532	381,207	636,739
LIABILITIES						
Segment liabilities	10,937	688	–	11,625	64,917	76,542
Other unallocated corporate liabilities	–	–	83,172	83,172	–	83,172
Consolidated total liabilities	10,937	688	83,172	94,797	64,917	159,714

Other information

	Hotel operations HK$'000	Property investment HK$'000	Unallocated HK$'000	Consolidated HK$'000
Additions to non-current assets (other than goodwill)	4,023	–	5	4,028
Depreciation and amortisation	6,317	–	357	6,674

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

2010 (Restated)

	Hotel operations HK$'000	Property investment HK$'000	Unallocated HK$'000	Consolidated HK$'000
TURNOVER	25,750	1,550	–	27,300
RESULTS				
Depreciation and amortisation	6,795	–	374	7,169
Segment results	(2,496)	950	–	(1,546)
Interest income	21	–	317	338
Net other unallocated corporate expense	–	–	(2,654)	(2,654)
Loss for the year from continuing operations				(3,862)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Segments Assets and Liabilities

	Hotel operations HK$'000	Property investment HK$'000	Unallocated HK$'000	Total segment assets HK$'000	Assets relating to Fibreboards (now discontinued) HK$'000	Consolidated HK$'000
ASSETS						
Segment assets	115,204	16,556	–	131,760	325,912	457,672
Goodwill	–	–	–	–	89,880	89,880
Financial assets at fair value through profit or loss	–	–	2	2	–	2
Bank balances and cash	–	–	72,706	72,706	41,330	114,036
Other unallocated corporate assets	–	–	60,052	60,052	–	60,052
Consolidated total assets	115,204	16,556	132,760	264,520	457,122	721,642
LIABILITIES						
Segment liabilities	8,168	640	–	8,808	124,744	133,552
Other unallocated corporate liabilities	–	–	52,550	52,550	–	52,550
Consolidated total liabilities	8,168	640	52,550	61,358	124,744	186,102

Other information

	Hotel operations HK$'000	Property investment HK$'000	Unallocated HK$'000	Consolidated HK$'000
Additions to non-current assets (other than goodwill)	14,327	–	15	14,342
Depreciation and amortisation	6,795	–	374	7,169

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Geographical segments

The Group's hotel operation is located in the People's Republic of China, other than Hong Kong (the "PRC").

Property investment and development are located in both PRC and Hong Kong.

The following table provides an analysis of the Group's sales and results from continuing operations by geographical market, irrespective of the origin of the goods/services:

	Sales revenue from external customers by geographical market		Contribution to profit for the year	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC	**35,967**	26,739	**5,955**	(1,545)
Hong Kong	**593**	561	**244**	(1)
	36,560	27,300	**6,199**	(1,546)
Interest income			**533**	338
Net unrealised holding loss on financial assets at fair value through profit or loss			**(1)**	–
Net other unallocated corporate expenses			**(2,133)**	(2,654)
Profit/(loss) before taxation			**4,598**	(3,862)
Income tax expense			**(2,748)**	–
Profit/(loss) for the year from continuing operations			**1,850**	(3,862)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Geographical segments (Continued)

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		**Additions to property, plant and equipment**	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC	**178,685**	135,559	**4,023**	14,327
Hong Kong	**76,847**	128,961	**5**	15
	255,532	264,520	**4,028**	14,342

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.

Information about major customers

For the year ended 31 December 2011 and 31 December 2010, no single external customers accounted for 10% or more of the Group's total revenue from continuing operations.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

7. OTHER OPERATING INCOME

Other operating income included the following items:

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Continuing operations		
Interest income	**533**	338
Net exchange gain	**9,294**	7,807
Gain on disposal of financial assets at fair value through profit or loss	**–**	256
Gain on disposal of land use rights	**2,980**	643

8. INCOME TAX EXPENSE

	2011	2010
	HK$'000	HK$'000
Continuing operations		
Tax charges comprises:		
Current tax – Provision for PRC enterprises income tax	**2,042**	–
Under-Provision for PRC enterprises income tax	**706**	–
	2,748	–

No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for the year ended 31 December 2011 (2010: Nil). PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both years.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

8. INCOME TAX EXPENSE (Continued)

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

	2011 **HK$'000**	2010 HK$'000
Profit/(loss) before taxation from continuing operations	**4,598**	(3,862)
Tax at the rates applicable to profits in the countries concerned	**1,585**	(542)
Tax effect of non deductible expenses	**3,952**	3,202
Tax effect of non taxable revenue	**(3,495)**	(2,190)
Underprovision in previous year	**706**	–
Utilisation of tax losses previously not recognised	**–**	(470)
Tax expense for the year (relating to continuing operations)	**2,748**	–

No revaluation surplus or deficit for the year (2010: nil) arising on the revaluation of properties of the Group does not constitute a timing difference. Therefore, deferred tax has not been recognised in respect of the valuation deficit/surplus relating to properties.

9. DISCONTINUED OPERATIONS

On 20 December 2011, the Foshan City Nanhai District Environment, Transport and City Management Authority「佛山市南海區環境運輸和城市管理局」(“Foshan Environmental Authority”) issued a notice to Foshan City Nanhai Kang Sheng Timber Company Limited (“Kang Sheng”) and Foshan City Nanhai Jia Shun Timber Company Limited (“Jia Shun”), the wholly-owned subsidiaries of the Group and the Associate, Foshan Nanhai Kangyao Board Co. Ltd. (“Kangyao”) the Group 42%-owned associate, which carried out all of the Group’s fibreboards operations, requiring them to cease their operations at the landed property (including land use rights and the buildings and structures thereon) situated at Foshan City that is currently leased to Kang Sheng and Jia Shun (“the property”) before 31 December 2011, with a view to reducing the emission of pollutants and improving the environment in the region.

On the same date, the Company (on behalf of Kang Sheng, Jia Shun and Kangyao) entered into the Compensation Memorandum with the Foshan City Nanhai District People’s Government「佛山市南海區人民政府」(“Foshan Nanhai Government”). Pursuant to the Compensation Memorandum, Foshan Nanhai Government shall resume the property situated at Foshan City that is currently leased to Kang Sheng and Jia Shun, and a lump sum payment amounting to not less than RMB300 million will be offered to the Group and Associate as compensation for the cessation of fibreboard business. Kang Sheng, Jia Shun and Kangyao ceased its existing production. Details of this transaction and terms of compensations have been set out in the Company’s announcement dated at 20 December 2011.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

9. DISCONTINUED OPERATIONS (Continued)

In this regard, the Board ceased the Group's fibreboard manufacturing and trading business on 20 December 2011. The Group is actively seeking buyer for its fibreboard manufacturing and trading business and expects to complete the sales by 31 October 2012.

The property, plant and equipment and inventories owned by Kang Sheng and Jia Shun were valued on the basis of their open market value on 31 December 2011 by Associated Surveyors & Auctioneers Ltd., an independent firm of professional valuers. The valuation amount is lower than the carrying amount of the related assets and, accordingly, impairment losses were recognised when the operation was reclassified as held for sale at the end of the reporting period.

The result of the discontinued operation included in the consolidated statement of comprehensive income and consolidated statement of cash flow are set out below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

	2011	2010
	HK$'000	HK$'000
(Loss)/profit for the year from discontinued operations		
Turnover	**452,791**	462,573
Cost of sales	**(458,726)**	(434,350)
Gross (loss)/profit	**(5,935)**	28,223
Other operating income	**16,230**	27,231
Selling and distribution costs	**(661)**	(484)
Administrative expenses	**(34,041)**	(33,532)
Share of loss of an associate	**(7,407)**	–
Impairment loss on inventories	**(9,865)**	–
Impairment loss on properties, plant and equipment	**(21,438)**	(947)
(Loss)/profit before taxation from discontinued operation	**(63,117)**	20,491
Income tax credit	**311**	4,243
(Loss)/profit for the year from discontinued operation and attributable to owners of the Company	**(62,806)**	24,734

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

9. DISCONTINUED OPERATIONS (Continued)

(Loss)/profit for the year from discontinued operations include the following:

	2011	2010
	HK$'000	HK$'000
Depreciation and amortisation	**23,198**	21,208
Auditor's remuneration	**172**	160

Cash flows from discontinued operations

	2011	2010
	HK$'000	HK$'000
Net cash inflows from operating activities	**35,152**	20,621
Net cash outflows from investing activities	**(13,992)**	(25,971)
Net cash inflows/(outflows)	**21,160**	(5,350)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

10. ASSETS CLASSIFIED AS HELD FOR SALE

	2011 HK$'000	2010 HK$'000
Assets related to fibreboard business *(Note 1)*	**381,207**	–
Liabilities directly associated with assets classified as held for sale *(Note 1)*	**64,917**	–

Notes:

1) As described in note 9, the fibreboard business of the Company is ceased on 20 December 2011. The major classes of assets and liabilities of the fibreboard business at the end of the reporting period are as follows:

	2011 HK$'000
Property, plant and equipment	**99,752**
Land use rights	**54,220**
Goodwill	**89,880**
Investment in an associate	**2,773**
Inventories	**44,165**
Trade and other receivables	**36,116**
Bank balances and cash	**54,301**
Assets of fibreboard business classified as held for sale	**381,207**
Trade and other payables	**(63,215)**
Tax payable	**(1,702)**
Liabilities of fibreboard business associated with assets classified as held for sale	**(64,917)**
Net assets of fibreboard business classified as held for sale	**316,290**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

11. PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
		(Restated)
Continuing operations		
Profit/(loss) for the year has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	**6,674**	7,169
Auditors' remuneration	**828**	743
Staff costs (including directors' remuneration and retirement benefit scheme contribution)	**15,685**	13,623
(Gain)/loss on disposal of property, plant and equipment	**(2,905)**	112
Gross rental income from investment properties	**(1,966)**	(1,550)
Less:		
Direct operating expenses from investment properties that generated rental income during the year	**160**	82
Direct operating expenses from investment properties that did not generated rental income during the year	**535**	555
	(1,271)	(913)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

a. Directors' emoluments

The emoluments paid or payable to each of the 6 (2010: 7) directors were as follows:

2011	Fees HK$'000	Salaries and other benefits HK$'000	Performance-based or discretionary bonus HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Mr. You Guang Wu	–	**1,244**	**136**	**41**	**1,421**
Mr. Su Wenzhao	–	**1,080**	**120**	**36**	**1,236**
Mr. Wu Yongqing	**61**	**268**	**62**	**32**	**423**
Mr. Chan Kwok Wai	**85**	–	–	–	**85**
Mr. Chen Da Cheng	**85**	–	–	–	**85**
Mr. Deng Hong Ping	**85**	–	–	–	**85**

2010	Fees HK$'000	Salaries and other benefits HK$'000	Performance-based or discretionary bonus HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Mr. You Guang Wu	–	1,244	136	41	1,421
Mr. Su Wenzhao	–	1,080	120	36	1,236
Mr. Wu Yongqing	26	165	171	–	362
Mr. Chan Kwok Wai	81	–	–	–	81
Mr. Chen Da Cheng	81	–	–	–	81
Mr. Deng Hong Ping	81	–	–	–	81
Mr. Wang Jin Yuan	28	72	226	3	329

No Directors had waived any emoluments for both years.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

b. Employees' emoluments

During the year, the five highest paid individuals included two Directors (2010: two Directors), details of whose emoluments are set out above. The emoluments of the other three individuals (2010: three individuals) were as follows:

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Salaries and other benefits	**1,624**	1,323
Retirement benefits scheme contributions	**42**	41
	1,666	1,364

The aggregate emoluments of each of these three (2010: three) highest paid individuals are less than HK$1,000,000.

13. RETIREMENT BENEFIT SCHEME

The Group contributes to a defined contribution retirement scheme which is available to Hong Kong permanent employees. This retirement scheme is administered by independent trustees with their assets held separately from those of the Group. Contributions under the staff retirement scheme for each year are based on a percentage of the eligible employees' salaries and are charged to the consolidated statement of comprehensive income as incurred. The total contribution to the scheme amounted to HK$116,688 (2010: HK$114,686) for the year and has been charged to the consolidated statement of comprehensive income. Forfeited employer contributions in respect of former employees from the staff retirement scheme before vesting period may be used by the Group to reduce its ongoing employer contributions. There is no forfeited contribution utilised during the year.

At the end of the reporting period, there is no balance of forfeited contributions available to reduce the contribution payable in the future years.

Since the introduction of the Mandatory Provident Fund ("MPF") Scheme in Hong Kong, the Group has also participated in an approved MPF Scheme with Bank Consortium Trust Company Limited effective 1 December 2001 to provide an MPF Scheme to all employees. The contributions borne by the Group are calculated at 5% of the salaries and wages (monthly contribution is limited at 5% of HK$20,000 for each eligible employee) as calculated under the MPF legislation. During the year under review, the total amount contributed by the Group to the MPF Scheme and charged to the consolidated statement of comprehensive income amounted to HK$54,947 (2010: HK$54,047).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

14. (LOSS)/EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted (loss)/earnings per share is based on the loss attributable to the owners of the Company of approximately HK$60,956,000 (2010: profit of HK$20,872,000) and on the number of 1,188,329,142 ordinary share (2010: 1,188,329,142 ordinary shares) in issue during the year.

No diluted (loss)/earnings per share has been presented as there were no diluting events existing for both years.

From continued operations

The calculation of the basic and diluted earnings/(loss) per share from continuing operations attributable to owners of the Company is based on the following data:

(Loss)/earning figures are calculated as follows:

	2011	2010
	HK$'000	HK$'000
(Loss)/profit for the year attributable to owners of the Company	**(60,956)**	20,872
Less:		
(Loss)/profit for the year from discontinued operations	**(62,806)**	24,734
Earnings/(loss) for the purpose of basic/diluted earnings per share from continuing operations	**1,850**	(3,862)

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operations

Basic/diluted loss per share for the discontinued operation is HK5.29 cents per share (2010: HK 2.08 cents earning per share), based on the loss for the year from the discontinued operations of HK$62,806,000 (2010: Profit of HK$24,734,000) and the denominators detailed above for the both basic and diluted earnings per share.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

15. INVESTMENT PROPERTIES

	In the PRC held under medium-term leases	In Hong Kong held under medium-term leases	Total
	HK$'000	HK$'000	HK$'000
FAIR VALUE OF INVESTMENT PROPERTIES			
As at 1 January 2010	571	11,230	11,801
Increase/(decrease) in fair value recognised in the consolidated statement of comprehensive income	–	–	–
As at 31 December 2010 and 1 January 2011	**571**	**11,230**	**11,801**
Increase/(decrease) in fair value recognised in the consolidated statement of comprehensive income	–	–	–
As at 31 December 2011	**571**	**11,230**	**11,801**

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

Investment properties were revalued at their open market value at 31 December 2011 by Associated Surveyors & Auctioneers Ltd., an independent firm of professional valuers, on an open market value basis. No revaluation surplus or deficit in current year (2010: Nil).

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

16. PROPERTY, PLANT AND EQUIPMENT

2011

	Hotel properties in the PRC held under medium-term leases HK$'000	Land and buildings HK$'000	Construction in progress HK$'000	Furniture equipment and leasehold improvements HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
THE GROUP							
At 1 January 2011	92,200	52,938	27,995	24,818	145,405	5,628	348,984
Additions	–	–	4,190	1,510	1,542	332	7,574
Transfer	985	3,324	(27,997)	15,706	7,982	–	–
Disposals and write off	–	–	–	(1,113)	(837)	(382)	(2,332)
Deficit on revaluation	(985)	–	–	–	–	–	(985)
Reclassified as held for sale	–	(58,674)	(5,236)	(10,389)	(56,476)	(1,971)	(132,746)
Impairment	–	–	–	(4,615)	(88,178)	(1,292)	(94,085)
Exchange difference	–	2,412	1,276	4,508	6,584	172	14,952
At 31 December 2011	92,200	–	228	30,425	16,022	2,487	141,362
Comprising:							
At cost	–	–	228	30,425	16,022	2,487	49,162
At valuation – 2011	92,200	–	–	–	–	–	92,200
	92,200	–	228	30,425	16,022	2,487	141,362
DEPRECIATION							
At 1 January 2011	–	11,915	–	12,454	76,665	3,007	104,041
Provided for the year	2,871	2,581	–	7,002	15,427	612	28,493
Eliminated on disposals and write off	–	–	–	(1,016)	(654)	(382)	(2,052)
Eliminated on revaluation	(2,871)	–	–	–	–	–	(2,871)
Eliminated on reclassification as held for sale	–	(15,096)	–	(5,135)	(12,763)	–	(32,994)
Impairment	–	–	–	(1,765)	(69,764)	(1,118)	(72,647)
Exchange difference	–	600	–	3,265	3,784	74	7,723
At 31 December 2011	–	–	–	14,805	12,695	2,193	29,693
NET BOOK VALUES							
At 31 December 2011	92,200	–	228	15,620	3,327	294	111,669

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

2010

	Hotel properties in the PRC held under medium-term leases HK$'000	Land and buildings HK$'000	Construction in progress HK$'000	Furniture equipment and leasehold improvements HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
THE GROUP							
At 1 January 2010	92,200	50,417	–	17,986	138,004	5,268	303,875
Additions	–	621	33,084	5,597	1,617	231	41,150
Transfer	–	–	(5,089)	2,802	2,287	–	–
Disposals and write off	–	–	–	(2,254)	(761)	–	(3,015)
Impairment	–	–	–	–	(947)	–	(947)
Exchange difference	–	1,900	–	687	5,205	129	7,921
At 31 December 2010	92,200	52,938	27,995	24,818	145,405	5,628	348,984
Comprising:							
At cost	–	52,938	27,995	24,818	145,405	5,628	256,784
At valuation – 2010	92,200	–	–	–	–	–	92,200
	92,200	52,938	27,995	24,818	145,405	5,628	348,984
DEPRECIATION							
At 1 January 2010	–	9,207	–	10,494	59,416	2,418	81,535
Provided for the year	5,506	2,302	–	3,448	15,268	539	27,063
Eliminated on disposals and write off	–	–	–	(2,124)	(636)	–	(2,760)
Exchange difference	–	406	–	636	2,617	50	3,709
Eliminated on revaluation	(5,506)	–	–	–	–	–	(5,506)
At 31 December 2010	–	11,915	–	12,454	76,665	3,007	104,041
NET BOOK VALUES							
At 31 December 2010	92,200	41,023	27,995	12,364	68,740	2,621	244,943

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Hotel properties situated in the PRC were revalued on the basis of their open market value on 31 December 2011 by Associated Surveyors & Auctioneers Ltd., an independent firm of professional valuers. The surplus HK$1,886,000 arising from the revaluation (2010: Surplus of HK$5,506,000) has been dealt with the hotel property revaluation reserve.

If hotel properties had not been revalued, they would have been included in these financial statements at historical cost less accumulated depreciation of HK$51,922,000 (2010: HK$54,368,000).

The net book value of land and buildings shown above comprises:

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
In the PRC held under medium-term leases	**–**	41,023

The Group is in the process of applying for the properties certification for the buildings with carrying value of HK$4,040,000 (2010: HK$3,864,000).

17. LAND USE RIGHTS

The Group's interest in land use rights represent prepaid operating lease payments and their net book value are as follows:

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Carrying amount at 1 January	**53,206**	52,572
Addition, at cost	**–**	–
Reclassified as held for sale	**(54,220)**	–
Exchange difference	**2,393**	1,948
Amortisation of land use rights	**(1,379)**	(1,314)
Carrying amount at 31 December	**–**	53,206

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

17. LAND USE RIGHTS (Continued)

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
In the PRC held under medium-term leases	**–**	53,206

As at 31 December 2011, the carrying value of land use rights of HK$14,923,000 (2010: HK$14,273,000) has been pledged for application of banking facilities.

18. GOODWILL

THE GROUP	**2011**	2010
	HK$'000	HK$'000
COST		
Balance at beginning of year	**97,484**	97,484
Reclassified as held for sale	**(97,484)**	–
Balance at end of year	**–**	97,484
IMPAIRMENT LOSS		
Balance at beginning of year	**7,604**	7,604
Reclassified as held for sale	**(7,604)**	–
Balance at end of year	**–**	7,604
CARRYING VALUES	**–**	89,880

At the end of 2011, Goodwill has been already reclassified as assets held for sale.

For the year of 2010, Goodwill was assessed for impairment annually irrespective of whether there was any indication of impairment.

Goodwill has been allocated to the CGU of the Group's operations in relation to the manufacturing and trading of medium density fibreboards. At the end of 2010, the Group appointed Associated Surveyors & Auctioneers Ltd., an independent firm of professional valuers, to perform an appraisal of the value-in-use of the CGU. The recoverable amount has been determined based on a value-in-use calculation.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

18. GOODWILL (Continued)

Review of impairment

The impairment test compares the carrying amount of the unit to the value-in-use. The key assumptions for the value-in-use calculation are those regarding the discount rates, growth rates and the expected changes to the selling prices and the direct costs during the period. The discount rates are based on the Hong Kong Prime rate, while growth rates are based on management's experience and expectations. Growth rates used do not exceed the long-term average growth rate for the area in which the CGU operates. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market, and are derived from the most recent financial budgets and forecasts that have been prepared by management.

The value calculated by using the discount rate is higher than the carrying amount of the CGU, accordingly, the management of the Group determined that there is no impairment of its goodwill at 31 December 2010.

19. INVESTMENT IN AN ASSOCIATE

	2011	2010
	HK$'000	HK$'000
Unlisted shares, at cost	**10,108**	–
Share of loss of an associate	**(7,407)**	–
Share of exchange reserve	**72**	–
Share of net assets	**2,773**	–
Reclassified as assets held for sale *(Note 10)*	**(2,773)**	–
	–	–

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

19. INVESTMENT IN AN ASSOCIATE (Continued)

Details of the Group's associate as at 31 December 2011 are set out as follows:

Name of an associate	Place of registration/ operation	Paid up registered capital	Proportion ownership interest held by the Group		Principal Activities
		RMB	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:

	2011 **HK$'000**	2010 HK$'000
Total assets	**10,828**	–
Total liabilities	**(4,225)**	–
Net assets	**6,603**	–
Group's share of net assets of an associate	**2,773**	–

	2011 **HK$'000**	2010 HK$'000
Total revenue	**3,684**	–
Total loss for the year	**(17,636)**	–
Group's share of loss of an associate	**(7,407)**	–
Group's share of other comprehensive income of an associate	**72**	–

* Already reclassified as non-current assets held for sale as at 31 December 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

20. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2011	2010
	HK$'000	HK$'000
Unlisted investments, at cost	**1,096,607**	1,096,607
Less: Impairment loss	**(1,073,000)**	(1,073,000)
	23,607	23,607

Particulars of the Company's principal subsidiaries as at 31 December 2011 are set out in note 33.

21. PROPERTIES HELD FOR SALE

The Group

Properties held for sale are stated at net realisable value. They are held under medium-term lease in PRC.

22. INVENTORIES

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Fibreboards		
Raw materials	**–**	87,825
Work in progress	**–**	6,813
Finished goods	**–**	22,348
	–	116,986
Food, beverages and hotel supplies	**1,927**	1,754
	1,927	118,740

The Directors consider the provision for inventory obsolescence of continuing operation is not required. (2010: Nil)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

23 TRADE AND OTHER RECEIVABLES

The Group

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The Group allows an average credit period of 90 days to its trade customers.

The following is an aging analysis of the Group's trade receivables at the end of the reporting period:

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
0-60 days	**1,071**	3,542
61-90 days	**339**	352
91-120 days	**322**	294
over 120 days	**414**	283
Trade receivables	**2,146**	4,471
Other receivables	**1,851**	21,134
	3,997	25,605

The Group's other receivables under current assets as at 31 December 2011 do not include VAT refundable which have been reclassified as assets held for sales of HK$9,935,000 (2010: HK$1,819,000). The fair value of the balance of debt assignment acquired by the Group as part of the arrangement to settle the legal litigation relating to its PRC subsidiaries amounted to HK$3,662,000 was settled in last year.

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
At 1 January	–	3,662
Acquisition of a debt assignment	–	–
Amount recovered during the year	–	(3,662)
At 31 December	–	–

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

23 TRADE AND OTHER RECEIVABLES (Continued)

The Group does not hold any collateral or other credit enhancements over these balances.

Of the trade receivables balance at the end of the year, HK$118,000 (2010: Nil) is due from the Group's largest customer. There are 5 (2010:14) other customers who represent more than 5% of the total balance of trade receivables amounting to HK$782,000 (2010: HK$3,571,000).

The carrying amounts of the trade and other receivables that were neither past due nor impaired relate to other debtors for whom there was no recent history of default. The directors consider that the carrying amount of trade and other receivables approximates their fair value.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011	2010
	HK$'000	HK$'000
The Group		
Listed shares in Hong Kong	**1**	2
Market value of listed shares	**1**	2
Carrying amount analysed for reporting purposes as:		
Current	**1**	2
Non-current	**–**	–
Total	**1**	2

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

25 BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of one months or less.

Bank balances are interest bearing at respective saving deposits rate in the Hong Kong and PRC, and the effective interest rates of the Group's bank balances ranged from 0.68% to 2.3% in Hong Kong and ranged from 0.4% to 0.5% in PRC. (2010: 0.01% to 0.93% in Hong Kong and 0.36% to 0.5% in PRC) per annum.

The carrying amounts of bank balances and cash are denominated in the following currencies:

	The Group		**The Company**	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong Dollars	**49,079**	43,747	**162**	5,764
Renminbi	**13,347**	63,983	**–**	–
United States Dollars	**282**	6,306	**–**	–
	62,708	114,036	**162**	5,764

Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	2011	2010
	HK$'000	HK$'000
Bank balances and Cash	**62,708**	114,036
Bank balances and Cash included in a disposal group classified as held for sale	**54,301**	–
	117,009	114,036

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

26. TRADE AND OTHER PAYABLES

THE GROUP

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

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
0-60 days	**1,705**	27,312
61-90 days	**122**	651
91-120 days	**203**	819
over 120 days	**369**	4,905
Trade payables	**2,399**	33,687
Other payables	**90,311**	150,788
	92,710	184,475

The directors consider that the carrying amount of trade and other payable approximates their fair value.

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 31 December 2011 and 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, was reclassified as other payables and become repayable on demand.

27. SHARE CAPITAL

	Number of shares		Nominal value	
	2011	2010	**2011**	2010
			HK$'000	HK$'000
Ordinary shares of HK$0.10 each				
Authorised:				
At beginning and end of the year	**3,000,000,000**	3,000,000,000	**300,000**	300,000
Issued and fully paid:				
At beginning and end of the year	**1,188,329,142**	1,188,329,142	**118,833**	118,833

The shares issued rank pari passu in all respects with the existing shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

28. SHARE OPTION SCHEME

The share option scheme was adopted by the Company on 20 May 2003 (the "Scheme"). During the year, no options was granted, exercised, lapsed or cancelled under the Scheme. At 31 December 2011 and 2010, there were no options outstanding under the Scheme.

The primary purpose of the Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including Directors, and business associates of the Company and its subsidiaries, to subscribe for ordinary shares in the Company, in accordance with the terms of the Scheme.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at the date of approval of the Scheme without prior approval from the Company's shareholders.

The maximum entitlement for any one participant is that the total number of ordinary shares of the Company issued and to be issued upon exercise of the options granted to such participant under the Scheme and any other option schemes of the Company (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of ordinary shares of the Company in issue.

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. Therefore, no charge is recognised in the consolidated statement of comprehensive income in respect of the value of options granted for both years.

29. 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, its subsidiary. 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

30. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	2011	2010
	HK$'000	HK$'000
Minimum lease payments paid under operating leases during the year:		
Premises	**36,470**	39,597

At the year ended date, the Group had outstanding commitments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	2011	2010
	HK$'000	HK$'000
Within one year	**5,153**	5,286
In the second to fifth year inclusive	**18,140**	15,612
Over fifth year	**13,177**	18,699
	36,470	39,597

Operating lease payments represent rentals payable by the Group for its office premises. Leases are negotiated for an average terms of 3 years to 4 years.

The Group as lessor

The Group's property rental income earned during the year was approximately HK$1,966,000 (2010: HK$1,550,000). All of the properties held have committed tenants for more than one year.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2011	2010
	HK$'000	HK$'000
Within one year	**3,843**	1,657
In the second to fifth year inclusive	**14,200**	1,128
	18,043	2,785

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

31. COMMITMENTS

	2011	2010
	HK$'000	HK$'000
Commitments for the acquisition of the property, plant and equipment	**4**	4,159
Commitments for the environmental renovation project	**–**	826
Commitments for investment in an associate	**–**	9,894
Total commitments	**4**	14,879

32. RELATED PARTY TRANSACTION

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2011	2010
	HK$'000	HK$'000
Short-term employee benefits	**3,948**	3,903
Post-employment employee benefits	**119**	118
	4,067	4,021

The remuneration of directors and key management personnel is determined or proposed by the remuneration committee having regard to the performance of individuals and market trends.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

33. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2011 are as follows:

Name of subsidiary	Place of incorporation or registration/ operation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Percentage held	Principal activity
			%	
Direct subsidiary				
China Investments Limited	Hong Kong	HK$1,000	100	Investment holding
Indirect subsidiaries				
Airlane Development Limited	Hong Kong	HK$2	100	Property trading
Barmax Development Limited	Hong Kong	HK$2	100	Property trading
Botex Development Limited	Hong Kong	HK$2	100	Property trading
Centon Development Limited	Hong Kong	HK$2	100	Property trading
Charland Investment Limited	Hong Kong	HK$2	100	Property trading
China Alliance Industries	Hong Kong	HK$2	100	Property trading
China Industrial Development Limited	Hong Kong	HK$2	100	Investment holding
Cyro Holdings Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
Expert Target Development Limited	Hong Kong	HK$2	100	Property trading
Greenswood Property Limited	Hong Kong	HK$2	100	Property investment
Guilin Plaza Hotel *(Note)*	PRC	RMB22,064,108	100	Hotel operations
Nanhai Heng Da Timber Company Limited 南海亨達木業有限公司 *(Note)*	PRC	RMB40,789,076	100	Manufacturing and trading of veneers
Jofra Company Limited	Hong Kong	HK$1,000	100	Investment holding
Foshan City Nanhai Jia Shun Timber Company Limited 佛山市南海佳順木業有限公司 *(Note)*	PRC	HK$39,800,000	100	Manufacturing and trading of medium density fibreboards
Foshan City Nanhai Kang Sheng Timber Company Limited 佛山市南海康盛木業有限公司 *(Note)*	PRC	HK$81,000,000	100	Manufacturing and trading of medium density fibreboards

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2011

33. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation or registration/ operation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Percentage held %	Principal activity
Langmax Investment Limited	Hong Kong	HK$2	100	Property trading
Lina Development Limited	Hong Kong	HK$2	100	Property trading
Metropolitan Development Limited	Hong Kong	HK$2	100	Property trading
Rich Asset Development Limited	Hong Kong	HK$2	100	Property trading
Rich Horn Development Limited	Hong Kong	HK$2	100	Property trading
Senicon Investment Limited	Hong Kong	HK$2	100	Property trading
Sabrina Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
Sino Sense Development Limited	Hong Kong	HK$2	100	Property trading
Trener Investment Limited	Hong Kong	HK$2	100	Property trading
Universal Talent Development Limited	Hong Kong	HK$2	100	Property trading

Note: wholly foreign owned enterprise.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

FIVE YEARS FINANCIAL SUMMARY

	Year ended 31 December				
	2007*	2008*	2009*	2010*	**2011**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Continuing operations					
Turnover	497,834	472,503	413,730	489,873	**36,560**
Profit/(loss) for the year	87,252	17,115	(42,029)	20,872	**1,850**
Discontinued operation					
Loss for the year	–	–	–	–	**(62,806)**
Profit/(loss) for the year attributable to owners	87,252	17,115	(42,029)	20,872	**(60,956)**
Earnings/(loss) per share					
From continuing and discontinued					
Basic	8.01cents	1.44cents	(3.54cents)	1.76cents	**(5.13cents)**
Diluted	N/A	N/A	N/A	N/A	**N/A**

	Year ended 31 December				
	2007*	2008*	2009*	2010*	**2011**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	796,768	767,877	686,907	721,642	**636,739**
Total liabilities	(239,785)	(187,564)	(177,540)	(186,102)	**(159,714)**
Equity attributable to owners	556,983	580,313	509,367	535,540	**477,025**

* The result for each of the year from 2007 – 2010 have not been re-presented for the discontinued operation.

PARTICULARS OF MAJOR PROPERTIES

Particulars of major properties held by the Group as at 31 December 2011 are as follows:

Name/Location	Effective % held	Category of lease	Type	Total gross floor area on completion (s.m.)	Stage	Expected year of on completion
Hotel properties						
Guilin Plaza, 20 Li Jiang Lu Guilin, Guangxi, The PRC.	100	Medium	Hotel	29,746	Existing	N/A
Investment properties						
Kai Yip Factory Building Portion A on G/F, No. 15-17 Sam Chuk Street San Po Kong Kowloon, Hong Kong.	100	Medium	Industrial	459	Existing	N/A
Room 702, 703 and 704 of Block D of Shantou Commercial Plaza at the junction of Jinsha Road East and Huashan Road Shantou Special Economic Zone, Guangdong Province, The PRC.	100	Medium	Residential	291	Existing	N/A

PARTICULARS OF MAJOR PROPERTIES (Continued)

Particulars of major properties held by the Group as at 31 December 2011 are as follows:

Name/Location	Effective % held	Category of lease	Type	Total gross floor area on completion (s.m.)	Stage	Expected year of on completion
Properties held for sale						
Levels 5-7, 9, 12-14, 17-22 of Block A and all shopping spaces in the podium under Block B & C of Shantou Commercial Plaza at the junction of Jinsha Road East and Huashan Road, Shantou Special Economic Zone, Guangdong Province The PRC.	100	Medium	Commercial/ Residential	13,323	Existing	N/A
10th Floor of Building B, 6th, 8th, 11th, 15th, 17th and 25th Floors of Building A, International Commerce Building, Banzhang Lake, South Riverside, Huizhou City, Guangdong Province, The PRC.	100	Long	Commercial/ Office	4,289	Existing	N/A