中國興業控股有限公司

China Investments Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 132)

2012
ANNUAL REPORT

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
Audit Committee	Chan Kwok Wai *(Chairman)* Chen Da Cheng Deng Hong Ping
Remuneration Committee	Chen Da Cheng *(Chairman)* Chan Kwok Wai Deng Hong Ping You Guang Wu Su Wenzhao
Nomination Committee	You Guang Wu *(Chairman)* Su Wenzhao 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 26 Burnaby Street Hamilton HM11 Bermuda
Branch Registrars	Tricor Progressive Limited 26/F Tesbury Centre 28 Queen's Road East Hong Kong

CORPORATE INFORMATION (Continued)

Principal Bankers	Bank of China Bank of Communications Wing Hang Bank Ltd.
Solicitors	Woo, Kwan, Lee & Lo Guangdong Tianxun Law Office
Auditor	HLM CPA Limited *Certified Public Accountants*
Secretary	Lo Tai On
Stock Code	132
Website	http://chinainvestments.quamir.com

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

For the year ended 31 December 2012, the Group's turnover amounted to HK$67,723,000, representing a decrease of 86.2% as compared to the same period last year. The decrease was due to the halting production of the Group's medium density fibreboard business as a result of the overall environmental planning in Nanhai District, Foshan City in late December 2011. The Group successfully turned loss to profit, recording profit of HK$105,529,000 for the year, which was due to the full recognition of the related compensation payment and gain on reversal of payable without recourse in nature accrued during the period.

Hotel Business

Leverage on the continuous improvement in domestic consumption and capitalizing on the advantage of replacement and renovation of the facilities, the management vigorously explored new domestic customers and raised room price in a flexible manner, pushing up the average room price by 7.6% for the year as compared to last year. Meanwhile, the management continued to implement strict measures to minimize operating costs, resulting in only a slight increase of 1.5% in the average costs rate for the year. As affected by a number of objective factors such as the uncertainty in the global economy and the continuous appreciation of RMB, the annual average occupancy rate of Guilin Plaza decreased by 5.5% to 63.8% in 2012. The total turnover amounted to HK$33,420,000, representing a decrease of 3.4% as compared to last year, with an operating profit of HK$1,599,000, dropped by 15.5% as compared to last year.

Fibreboard Business

Due to the halting production of medium density fibreboard business in late December 2011, the Group mainly dealt with the sale of assets and compensation for the cessation of fibreboard business during the year. As at the date of this annual report, the disposal of assets was generally completed with the total amount of assets sold amounting to approximately HK$43,136,000. In respect of the compensation for the halting production, the Group entered into compensation agreements with related Government Authorities in late 2012 with reference to the corresponding asset valuation by professional valuation organization. The compensation payment amounted to RMB300,397,000 (equivalent to approximately HK$373,628,000) which has been booked upon the receipt of full amount, resulting in the net profit from discontinued operation and compensation reaching HK$69,918,000. Net of the impairment losses of assets of HK$31,303,000 provided in 2011, the actual net profit arising from discontinued the medium density fibreboard business amounted to approximately HK$38,615,000. For the year ended 31 December 2012, the overall fibreboard business recorded a profit of HK$111,865,000, including reversal of payables of HK$41,947,000.

CHAIRMAN'S STATEMENT (Continued)

Property Investment

The Group's annual rental income for 2012 amounted to HK$2,245,000, which was an increase of 14.2% over last year. Property occupancy rate was 69.6%, representing an improvement of 2.2% over last year.

FINANCIAL POSITION AND ANALYSIS

As at 31 December 2012, the Group had total assets of HK$727,366,000 (31 December 2011: HK$636,739,000). The Group had no bank loan and other long-term debts (31 December 2011: Nil). Net assets was HK$587,780,000 (31 December 2011: HK$477,025,000). Gearing ratio (being bank loans and long-term debts divided by total assets) was 0% (31 December 2011: 0%). Net assets per share amounted to HK49.46 cents (31 December 2011: HK40.14 cents).

The Group's net current assets amounted to HK$464,200,000 (31 December 2011: HK$353,555,000). Current ratio (being current assets divided by current liabilities) was approximately 4.33 times (31 December 2011: 3.21 times), while bank balances and cash amounted to HK$375,422,000 (31 December 2011: HK$117,009,000). Together with all the remaining compensation amounting to RMB120,049,000 received from the Foshan Nanhai Government in January 2013, we expect there will be sufficient funds to meet the capital requirements for the Group's operations and new projects or business development in the future.

PLEDGE OF ASSETS

The Group's land use rights with net carrying value of HK$15,071,000 (2011: HK$14,923,000), pledged for application of standby banking facilities, has been released on 31 March 2012. There were no mortgage borrowings during the period (2011: No mortgage borrowings).

FOREIGN EXCHANGE EXPOSURE

The Group's main operating income and costs are denominated in Renminbi. During the Group's operating process, the foreign exchange fluctuation of the income and costs can be mutually offset. Meanwhile, the Group also had currency assets and liabilities denominated in Renminbi, which can be mutually offset. However, due to the Hong Kong based Group putting a great deal of business loans into domestic wholly-owned subsidiaries, the RMB appreciation and depreciation should bring exchange gain and loss respectively. It is expected that, when the exchange rate of Renminbi to HK dollar appreciate or depreciate 5%, it will cause an increase or decrease of approximately HK$14,375,000 in the profit of this year. In retrospect of the past few years, Renminbi was always in the trend of appreciation, and gradually became stable until the second half of 2008. The Board believed that the stable Renminbi appreciation would last in the long run and would not bring material adverse foreign exchange exposure to the Group. Accordingly, it is unnecessary for the Group to hedge against any foreign exchange risk.

CHAIRMAN'S STATEMENT (Continued)

OUTLOOK

The strategy of the Group for the coming year will focus on development of the hotel business, leveraging on the existing resource advantage to expand the scale of the hotel business while enhancing the operating profitability of the hotel business to achieve sustainable profit growth. Meanwhile, the Group will speed up its transformation to focus on research and development of project development, with an aim to paving the way for the sustainable development of the Group.

YOU GUANG WU
Chairman
Hong Kong, 7 March 2013

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 (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (the "CG 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.

For the year ended 31 December 2012, the Company has complied with all code provisions under the CG Code.

GOVERNANCE STRUCTURE

The Company's corporate governance structure includes the Board and three committees under the Board, namely audit committee, remuneration committee and nomination committee (established on 1 April 2012). The Board stipulates the terms of reference of all committees in writing and specifies clearly the power and responsibilities of the committees.

THE COMPOSITION OF THE BOARD

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

CORPORATE GOVERNANCE REPORT (Continued)

Every director has sufficient time and attention to deal with the affairs of the Group. Each director discloses to the Company for the number and nature of offices held in public companies or organizations and other significant commitments every year. The Board considers the composition of executive and non-executive directors is rational and appropriate and provides adequate checks and balances to safeguard the interests of shareholders and the Group.

The independent non-executive directors provide the Group with diversified knowledge and expertise. Their suggestions, opinions and participation in the meetings of the Board and each committee bring independent opinions, suggestions and judgments on issues relating to the Group's strategy, development, operations, performance, risk control and conflicts of interest, to ensure that the interests of all shareholders are taken into account.

In accordance with the bye-laws of the Company, subject to the manner of retirement by rotation of directors as from time to time prescribed under the Listing Rules and notwithstanding any contractual or other terms on which any director may be appointed or engaged, at each annual general meeting one-third of the directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every director (including those appointed for a specific term) shall be subject to retirement at least once every three years.

Individual information and responsibilities of all directors are contained in this annual report on pages 18 to 20.

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 Board authorizes the management to manage the day-to-day business operations of the Group. Each committee under the Board has its own specified terms of reference which clearly define their powers and responsibilities.

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.

CORPORATE GOVERNANCE REPORT (Continued)

The Board also performs the obligations regarding corporate governance, including:

1. develop and review the Company's policies and practices on corporate governance;

2. review and monitor the training and continuous professional development of directors and senior management;

3. review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. develop, review and monitor the code of conduct and compliance manual applicable to employees and directors; and

5. review the Company's compliance with Appendix 14 (Corporate Governance Code and Corporate Governance Report) of the Listing Rules.

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 papers 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 8 meetings in 2012. The attendance of directors is as follows:

Name of Directors	Attendance	Attendance Rate
Executive Directors		
Mr. You Guang Wu *(Chairman)*	8/8	100%
Mr. Su Wenzhao *(Managing Director)*	8/8	100%
Mr. Wu Yongqing *(Deputy Managing Director)*	8/8	100%
Independent Non-Executive Directors		
Mr. Chan Kwok Wai	8/8	100%
Mr. Chen Da Cheng	7/8	88%
Mr. Deng Hong Ping	8/8	100%

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 notes 12a and 12b of the financial statements.

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

CORPORATE GOVERNANCE REPORT (Continued)

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 2012, the chairman, the managing director and the deputy managing director of the Company were Mr. You Guang Wu, Mr. Su Wenzhao and Mr. Wu Yongqing respectively.

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 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.

TRAININGS OF DIRECTORS

All newly appointed directors are provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under the relevant statutes, laws, rules and regulations. The Company Secretary and representative of auditor update directors on the latest development and changes regarding the Listing Rules, accounting standards and other relevant regulatory requirements from time to time.

In addition, the directors are provided with monthly updates on the Company's performance and position to enable the Board as a whole and each director to discharge their duties.

All directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. According to the records provided by the directors, all directors have participated in continuous professional development for the year ended 31 December 2012.

During the year under review, all directors of the Company participated in continuous professional development to update their knowledge and skills by reading material relevant to the directors' duties and responsibilities and by attending the training program organised by the Hong Kong Institute of Directors. In addition, Mr. Chan Kwok Wai had also attended talks and seminars in relation to the accounting knowledge etc. organised by different accountant firms and organizations.

CORPORATE GOVERNANCE REPORT (Continued)

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration of the member of the senior management by brand for the year ended 31 December 2012 is set out below:

Number of Personnel	Remuneration (HK$)
1	$500,001 to $1,000,000

Further particulars regarding directors' remuneration as required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in notes 12a and 12b to the financial statements.

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 2012, they have complied with the required standard as set out in the Model Code.

AUDIT COMMITTEE

The terms of reference of audit committee have been updated during the year in line with the revised CG Code requirements effective from 1 April 2012.

The audit committee comprises three independent non-executive directors with extensive experience in accounting or legal aspects. The audit committee is mainly responsible for reviewing the financial statements and annual reports and accounts of the Company, providing advice to the Board, and making recommendations on the appointment and remuneration of the auditor 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.

CORPORATE GOVERNANCE REPORT (Continued)

In 2012, 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 2011 audited financial statements and the annual results announcement, reviewing the interim report and the interim results announcement for the six months ended 30 June 2012, considering the accounting standards adopted, overseeing the financial control, internal control and risk management system, reviewing the management letter about audit work of the auditor submitted to the management and the response of the management, the basis of opinion made by the auditor in their report.

REMUNERATION COMMITTEE

The terms of reference of remuneration committee have been updated during the year in line with the revised CG Code requirements effective from 1 April 2012.

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.

In 2012, the remuneration committee convened three meetings. Members and their attendance are as follows:

Name of Members	Attendance	Attendance Rate
Chen Da Cheng *(Chairman of the remuneration committee)*	3/3	100%
Chan Kwok Wai	3/3	100%
Deng Hong Ping	3/3	100%
You Guang Wu	3/3	100%
Su Wenzhao	3/3	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 2011 and making recommendations to the Board. The remuneration committee also ensures that no director or senior management member determines his own remuneration.

CORPORATE GOVERNANCE REPORT (Continued)

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 for a term of 10 years on 20 May 2003. Currently, the Group has not granted any share options. The above-mentioned share option scheme shall lapse on 20 May 2013, and the Group will accordingly propose to adopt a new share option scheme at the 2013 annual general meeting of the Company, details of which will be set out in a circular to be sent to the shareholders of the Company as soon as possible.

NOMINATION COMMITTEE

The nomination committee was established on 1 April 2012 with specific terms of reference in accordance with the revised CG Code. The nomination committee consists of three independent non-executive directors and two executive directors. The nomination committee is responsible to review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. It shall consider the suitability of a candidate to act as a director on the basis of the candidate's qualification, experience, integrity and potential contribution to the Company, and assess the independence of independent non-executive directors under the requirements set out in Rule 3.13 of the Listing Rules. Before its establishment, the role and function of the nomination committee was taken up by the Board.

In 2012, the nomination committee convened one meeting. Members and their attendance are as follows:

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

The work carried out by the nomination committee during the year included reviewing the Board structure of the Group, assessing the independence of independent non-executive directors and making recommendations to the Board.

During the year, there is no appointment or resignation of directors of the Company. On 13 January 2012, Mr. Wu Yongqing, an executive director of the Company, was appointed as the deputy managing director of the Company.

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 nomination committee 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 2014. The term of office of Mr. Deng Hong Ping is for two years until 5 April 2014. They are subject to the retirement and re-election requirements of the bye-laws of the Company.

CORPORATE GOVERNANCE REPORT (Continued)

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.

The management of the Group has reviewed whether the Group's internal control and risk management system for the year ended 31 December 2012 were effective. The review has also considered the sufficiency and adequacy of human resources, qualification, experience of staff of the accounting and financial reporting functions and their training programmes and budget. The results of the review and its recommendations had been submitted 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.

COMPANY SECRETARY

The Company Secretary is Mr. Lo Tai On, who is engaged and appointed by the Company from an external secretarial services provider. The primary contact persons with the Company Secretary of the Company are Mr. You Guang Wu, the Chairman, and Ms. Chong Ching Mui. During the year, the Company Secretary of the Company has duly complied with the relevant training requirement under Rule 3.29 of the Listing Rules.

CONSTITUTIONAL DOCUMENTS

During the year under review, there is no change in the Company's constitutional documents.

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 2012, the audit fee was approximately HK$700,000 and the non-audit services fee was HK$4,000.

The statement of reporting responsibility issued by HLM CPA Limited, the auditor of the Company, in respect of the financial statements of the Group is set out in the independent auditor's report on pages 25 to 26.

CORPORATE GOVERNANCE REPORT (Continued)

COMMUNICATION WITH SHAREHOLDERS

The Company understands the importance of good communication with shareholders and investors, and recognizes the value of providing current and relevant information to shareholders and investors. The Board has established a shareholders' communication policy setting out the principles of the Company in relation to shareholders' communication, with the objective of ensuring that both shareholders and investors can obtain the complete, identical and current information of the Company in a timely manner.

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.

At the annual general meeting held on 22 May 2012, all directors were present to answer questions raised by shareholders and separate resolution in respect of each separate issue was proposed for shareholders to vote thereon. The Company appointed branch share registrar of the Company to act as scrutineers and to ensure votes cast are properly counted and recorded, and announced the results of the poll on the websites of the Stock Exchange and the Company in accordance with the bye-laws of the Company and the Listing Rules.

During the year, the Company did not convene any other general meetings except the aforesaid annual general meeting.

SHAREHOLDERS' RIGHTS

Procedures for special general meetings requisitioned by the shareholders

Shareholders holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company ("**Requisitionists**") shall have the right to require a special general meeting to be called and propose any matter to be considered at the general meeting of the Company. The Requisitionists may deposit the written requisition for special general meeting (which shall specify the full name of the Requisitionists, the business and proposal to be considered at the general meeting of the Company, and shall be signed by the Requisitionists) to the principal place of business of the Company for the attention of the Board. If within twenty-one days of such deposit, the Board fails to proceed to convene such meeting in specified days as provided by the bye-laws of the Company and the Listing Rules, the Requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

CORPORATE GOVERNANCE REPORT (Continued)

Procedures for shareholders to propose a person for election as a director

In accordance with Bye-law 88 of the Company, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless not less than seven (7) days before the date appointed for the general meeting there shall have been lodged at the Office or at the head office notice in writing signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected provided that the period for lodgment of the aforesaid notice shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting. For further information, please refer to the"Procedures for Shareholders to Propose a Person for Election as a Director" published on the Company's website at http://chinainvestments.quamir.com.

Procedures for shareholders to put forward proposals at general meetings

Pursuant to the Bermuda Companies Act, either any number of the registered shareholders holding not less than one-twentieth (5%) of the paid up capital of the Company carrying the right of voting at general meetings of the Company ("**Requisitionists**"), or not less than 100 of such registered shareholders can request the Company in writing to: (a) give to shareholders of the Company entitled to receive notice of the next general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition signed by all the Requisitionists may consist of several documents in like form, each signed by one or more of the Requisitionists; and it must be deposited at the principal place of business of the Company with a sum reasonably sufficient to meet the Company's relevant expenses, not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in the case of any other requisition. Provided that an annual general meeting is called for a date six weeks or less after the requisition has been deposited, the requisition though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

For any enquiry to the Board, shareholders may put forward a written enquiry to the Company setting out details of contact (including name, address, telephone number and email address etc.) by the following means:

Address: Unit 601, Tsim Sha Tsui Centre, 66 Mody Road, Tsimshatsui, Kowloon, Hong Kong
Fax No.: 852-23012128
Email: general@cihl.com.hk

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company's principal subsidiaries are set out in note 34 to the financial statements.

RESULTS

The results of the Group for the year ended 31 December 2012 are set out in the consolidated statement of comprehensive income on page 27.

INVESTMENT PROPERTIES

The Group revalued all of its investment properties at the year ended date. Revaluation surplus amounting to HK$159,000 in current year (2011: 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 83 to 84.

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 30 and 31 respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2012, 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. Su Wenzhao and Mr. Chen Da Cheng 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)

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

You Guang Wu, aged 48, 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 of the Company. Mr. You is the Chairman of the nomination committee and a member of the remuneration committee 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 57, was appointed as an executive director of the Company on 20 January 2009 and the managing director of the Company on 26 February 2009. Mr. Su is a member of the nomination committee and the remuneration committee of the Company. 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 50, 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 54, 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 nomination committee and the remuneration committee 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 48, was appointed as an independent non-executive director of the Company in September 2004 and is the chairman of the remuneration committee and a member of the audit committee and the nomination committee of the Company. Mr. Chen graduated from the Sun Yat-sen University and is a practicing solicitor in the PRC. He has over 25 years of experience in legal services.

DIRECTORS' REPORT (Continued)

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Independent Non-Executive Directors

Deng Hong Ping, aged 39, was appointed as an independent non-executive director of the Company on 6 April 2006 and is a member of the audit committee, the nomination committee and the remuneration committee 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 48, 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 2012, 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 2012, 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 2012**
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 2012 and 2011, 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.

As the Scheme will expire on 20 May 2013, the Company will propose to adopt at the forthcoming annual general meeting of the Company a new share option scheme details of which will be set out in a circular to be sent to the shareholders of the Company as soon as possible.

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$12,300.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the largest supplier accounted for 6% of the Group's purchases and the five largest suppliers accounted for 21% 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 257 (31 December 2011: 300). 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.

AUDITOR

The consolidated financial statements for the years ended 31 December 2010 and 31 December 2011 were audited by HLM & Co.. On 16 January 2013, HLM & Co. resigned as the auditor due to change of entity status from partnership to limited company. At the special general meeting of the Company held on 22 February 2013, HLM CPA Limited has been appointed as auditor.

The consolidated financial statements for the year ended 31 December 2012 were audited by HLM CPA Limited who will retire and 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, 7 March 2013

INDEPENDENT AUDITOR'S REPORT

恒健會計師行有限公司
HLM CPA LIMITED
Certified Public Accountants

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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 27 to 81, which comprise the consolidated and Company statement of financial position as at 31 December 2012, 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.

AUDITOR'S 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 AUDITOR'S REPORT (Continued)

AUDITOR'S 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 auditor's 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 auditor considers 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 2012 and of the Group's profit 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 CPA Limited
Ng Fai Fiona
Practicing Certificate Number P4986
Certified Public Accountants
Hong Kong

7 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000
Continuing operations			
Turnover	6	**35,738**	36,560
Cost of sales and services		**(15,026)**	(17,123)
Gross profit		**20,712**	19,437
Other operating income	7	**6,686**	12,835
Selling and distribution costs		**(690)**	(572)
Administrative expenses		**(28,690)**	(27,102)
Increase in fair value of investment properties		**159**	–
Impairment loss on properties held for sale		**(3,889)**	–
(Loss)/profit before taxation		**(5,712)**	4,598
Income tax expenses	8	**(624)**	(2,748)
(Loss)/profit for the year from continuing operations	11	**(6,336)**	1,850
Discontinued operations			
Profit/(loss) from discontinued operations and compensation		**69,918**	(62,806)
Gain on writing back unclaimed liabilities and accounts payable legally time barred and lapsed, net of income tax		**41,947**	–
Net profit/(loss) for the year from discontinued operations	9	**111,865**	(62,806)
Profit/(loss) for the year and attributable to owners of the Company		**105,529**	(60,956)
Other comprehensive income, net of income tax			
Exchange differences arising on translation of foreign operations		**2,253**	555
Surplus on revaluation of hotel properties		**2,973**	1,886
Other comprehensive income for the year, net of income tax		**5,226**	2,441
Total comprehensive income/(expense) for the year and attributable to owners of the Company		**110,755**	(58,515)
Earnings/(loss) per share	14		
From continuing and discontinued operations			
Basic		**HK8.88 cents**	(HK5.13 cents)
Diluted		**N/A**	N/A
From continuing operations			
Basic		**(HK0.53 cents)**	HK0.16 cents
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000
Non-current assets			
Investment properties	15	**11,960**	11,801
Property, plant and equipment	16	**111,620**	111,669
		123,580	123,470
Current assets			
Properties held for sale	21	**59,540**	63,429
Inventories	22	**1,592**	1,927
Trade and other receivables	23	**153,614**	3,997
Financial assets at fair value through profit or loss	24	**1**	1
Bank balances and cash	25	**375,422**	62,708
		590,169	132,062
Assets classified as held for sale	10	**13,617**	381,207
		603,786	513,269
Current liabilities			
Trade and other payables	26	**116,653**	92,710
Tax payable		**22,933**	2,087
		139,586	94,797
Liabilities directly associated with assets classified as held for sale	10	**–**	64,917
		139,586	159,714
Net current assets		**464,200**	353,555
Total assets less current liabilities		**587,780**	477,025
Capital and reserves			
Share capital	27	**118,833**	118,833
Reserves		**468,947**	358,192
Equity attributable to owners of the Company		**587,780**	477,025

The financial statements on pages 27 to 81 were approved and authorised for issue by the Board of Directors on 7 March 2013 and are signed on its behalf by:

YOU GUANG WU	**SU WENZHAO**
Director	*Director*

STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000
Non-current asset			
Investment in subsidiaries	20	**23,607**	23,607
Current assets			
Amounts due from subsidiaries		**342,352**	345,604
Deposits and other receivables		**731**	690
Bank balances and cash	25	**160**	162
		343,243	346,456
Current liability			
Other payables		**79,177**	79,460
Net current assets		**264,066**	266,996
Total assets less current liability		**287,673**	290,603
Capital and reserves			
Share capital	27	**118,833**	118,833
Reserves		**168,840**	171,770
Equity attributable to owners of the Company		**287,673**	290,603

The financial statements on pages 27 to 81 were approved and authorised for issue by the Board of Directors on 7 March 2013 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 2012

	Share capital	Share premium	Statutory reserve *(note)*	Hotel properties 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 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 and 1 January 2012	**118,833**	**484,159**	**31,753**	**38,555**	**(54,348)**	**(141,927)**	**477,025**
Surplus on revaluation of hotel properties	–	–	–	2,973	–	–	2,973
Release of revaluation reserve of hotel properties	–	–	–	(1,224)	–	1,224	–
Exchange differences arising on translation of foreign operations	–	–	–	–	2,253	–	2,253
Profit for the year	–	–	–	–	–	105,529	105,529
At 31 December 2012	**118,833**	**484,159**	**31,753**	**40,304**	**(52,095)**	**(35,174)**	**587,780**

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 2012

	Share capital HK$'000	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
THE COMPANY				
At 1 January 2011	118,833	484,159	(309,300)	293,692
Loss for the year	–	–	(3,089)	(3,089)
At 31 December 2011 and 1 January 2012	**118,833**	**484,159**	**(312,389)**	**290,603**
Loss for the year	–	–	(2,930)	(2,930)
At 31 December 2012	**118,833**	**484,159**	**(315,319)**	**287,673**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000
Operating activities		
Profit/(loss) for the year	**105,529**	(60,956)
Adjustment for:		
Interest income	**(1,161)**	(910)
Income tax expenses	**20,919**	2,437
Increase in fair value of investment properties	**(159)**	–
Impairment loss on properties held for sale	**3,889**	–
Impairment loss on property, plant and equipment	**11,426**	21,438
Impairment loss on inventories	**3,765**	9,865
Gain on writing back unclaimed liabilities and accounts payable legally time barred and lapsed	**(41,947)**	–
Provision for loss in litigation written back	**(3,599)**	–
Net exchange gain	**(2,538)**	(13,818)
Depreciation of property, plant and equipment	**7,610**	28,493
Gain on disposal of land use rights	**–**	(2,980)
Net loss on disposal of fibreboard business assets	**1,204**	–
Amortisation of land use rights	**–**	1,379
Net unrealised holding loss on financial assets at fair value through profit or loss	**–**	1
Net compensation from cessation of fibreboard business	**(122,346)**	–
Share of loss of an associate	**2,698**	7,407
Loss/(gain) on disposal of property, plant and equipment	**16**	(2,915)
Operating cash flow before movements in working capital	**(14,694)**	(10,559)
Decrease in inventories	**31,150**	62,783
Decrease/(increase) in trade and other receivables	**17,539**	(14,374)
Decrease in trade and other payables	**(11,908)**	(28,550)
Cash generated from operations	**22,087**	9,300
Tax paid	**(2,046)**	(722)
Tax refunded	**–**	318
Net cash generated from operating activities	**20,041**	8,896

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000
Investing activities		
Purchase of property, plant and equipment	**(1,709)**	(7,574)
Acquisition of an associate	**–**	(10,108)
Net proceeds from disposal of land use rights	**–**	2,980
Compensation income received	**220,700**	–
Net proceeds from disposal of fibreboard business assets	**10,465**	–
Interest received	**1,161**	776
Net proceeds from disposal of property, plant and equipment	**18**	3,195
Net cash generated from/(used in) investing activities	**230,635**	(10,731)
Net increase/(decrease) in cash and cash equivalents	**250,676**	(1,835)
Cash and cash equivalents at 1 January	**117,009**	114,036
Effect of foreign exchange rates changes	**7,737**	4,808
Cash and cash equivalents at 31 December	**375,422**	117,009
Analysis of the balances of cash and cash equivalents, being:		
Bank balances and cash	**375,422**	117,009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

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 and investment holding. The principal activities of the Company and its subsidiaries (the "Group") are described in note 34.

In prior years, the Group was also engaged in manufacturing and trading of fibreboards. These operations were discontinued in December 2011. Details are set out in note 9.

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 2012.

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Asset

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 CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

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 1 (Amendments)	Government Loans[2]
HKFRSs (Amendments)	Annual Improvements to HKFRS 2009-2011[2]
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[3]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[1]
HKAS 32 (Amendments)	Presentation – Offsetting Financial Assets and Financial Liabilities[3]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards 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 of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair vales, as explained in the accounting policies below. Historical cost generally based on the fair value of the consideration given in exchange for assets.

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. Total comprehensive income of subsidiaries is attributed to owners of the Company.

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.

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

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 an 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in an associate (Continued)

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with HKFRS5 *Non-current Assets Held for Sale and Discontinued Operations*. 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.

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 CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

i. *Hotel Properties*

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:

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 CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

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 CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

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. Costs of inventories are determined on weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

(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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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 consolidation income statement, under a general heading"Other income".

Retirement benefits scheme

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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:

Estimation of 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.

Estimation of 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 2012 the Group reported impairment loss of HK$11,426,000 for certain machinery, equipment and motor vehicles (2011: HK$21,438,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Estimation 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 2012 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 2012 was HK$11,960,000 (2011: HK$11,801,000).

Estimation of net realisable 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.

Estimation 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Estimation of 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 continuing operations at 31 December 2012 is HK$153,614,000 (2011: HK$3,997,000) and no trade and other receivable from discontinued operations (2011: HK$36,116,000). Details of the recoverable amount calculation are disclosed in note 23 and note 10 respectively.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

5. FINANCIAL RISK MANAGEMENT (Continued)

Foreign Exchange Exposure (Continued)

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		The Company	
	At 31 December		At 31 December	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Assets				
Denominated in Renminbi	**488,271**	87,116	**–**	–
Denominated in US dollars	**5,046**	294	**–**	–
	493,317	87,410	**–**	–
Liabilities				
Denominated in Renminbi	**56,533**	75,770	**–**	–

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	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Increase/decrease in profit for the year	**14,375**	15,470	**–**	–

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

5. FINANCIAL RISK MANAGEMENT (Continued)

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 2012, the Group's net current assets amounted to HK$464,200,000 (2011: HK$353,555,000), current ratio (being current assets divided by current liabilities) was approximately 4.33 times (2011: 3.21 times), while total current assets amounted to HK$603,786,000 (2011: HK$513,269,000), which is sufficient to meet the capital requirement of the Group's operations and development in the near future.

The following tables detail the Group's remaining contractual maturity for its financial liabilities at the end of the reporting period. The following table have been also drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	2012			
	On demand HK$'000	**Within 1 year HK$'000**	**1-3 years HK$'000**	**Total HK$'000**
Trade and other payables	**116,653**	**–**	**–**	**116,653**
Tax payables	**22,933**	**–**	**–**	**22,933**
	139,586	**–**	**–**	**139,586**

	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

5. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk

As at 31 December 2012, 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.

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 2012 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 CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

5. FINANCIAL RISK MANAGEMENT (Continued)

Fair value (Continued)

i) Financial instruments carried at fair value (Continued)

At 31 December 2012, 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	
	2012	2011
	HK$'000	HK$'000
Assets		
Financial assets at fair value through profit or loss	**1**	1

At 31 December 2012, the Company did not have any financial instruments carried at fair value.

During the year ended 31 December 2012, 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 2012 and 2011, 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 CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

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 were discontinued in last year. The segment information reported on this note does not include any amounts for this discontinued operations, which are described in more detail in note 9.

Segment information about these continuing operations is presented below:

2012

	Hotel operations HK$'000	Property investment HK$'000	Unallocated HK$'000	Consolidated HK$'000
TURNOVER	33,420	2,245	73	35,738
RESULTS				
Depreciation	7,200	–	410	7,610
Segment results	1,599	1,907	–	3,506
Interest income	85	–	464	549
Increase in fair value of investment properties	–	159	–	159
Impairment loss on properties held for sale	–	(3,889)	–	(3,889)
Net other unallocated corporate expenses	–	–	(6,037)	(6,037)
Loss before taxation				(5,712)
Income tax expense				(624)
Loss for the year from continuing operations				(6,336)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Segment assets and liabilities

	Hotel operations HK$'000	Property investment HK$'000	Unallocated HK$'000	Total segment assets HK$'000	Assets relating Fibreboards (now to discontinued) HK$'000	Consolidated HK$'000
ASSETS						
Segment assets	110,095	75,636	–	185,731	13,617	199,348
Financial assets at fair value through profit or loss	–	–	1	1	–	1
Bank balances and cash	–	–	375,422	375,422	–	375,422
Other unallocated corporate assets	–	–	152,595	152,595	–	152,595
Consolidated total assets	110,095	75,636	528,018	713,749	13,617	727,366
LIABILITIES						
Segment liabilities	7,334	807	–	8,141	–	8,141
Other unallocated corporate liabilities	–	–	131,445	131,445	–	131,445
Consolidated total liabilities	7,334	807	131,445	139,586	–	139,586

Other information

	Hotel operations HK$'000	Property investment HK$'000	Unallocated HK$'000	Consolidated HK$'000
Additions to non-current assets	1,697	–	12	1,709
Depreciation	7,200	–	410	7,610

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

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 expenses	–	–	(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 CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Segment 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

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 is located in both PRC and Hong Kong.

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

	Sales revenue from external customers by geographical market		**Contribution to (loss)/profit for the year**	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC	**35,015**	35,967	**2,931**	5,955
Hong Kong	**723**	593	**575**	244
	35,738	36,560	**3,506**	6,199
Interest income			**549**	533
Increase in fair value of investment properties			**159**	–
Impairment loss on properties held for sale			**(3,889)**	–
Net unrealised holding loss on financial assets at fair value through profit or loss			**–**	(1)
Net other unallocated corporate expenses			**(6,037)**	(2,133)
(Loss)/profit before taxation			**(5,712)**	4,598
Income tax expenses			**(624)**	(2,748)
(Loss)/profit for the year from continuing operations			**(6,336)**	1,850

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

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**	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC	**517,940**	178,685	**1,697**	4,023
Hong Kong	**195,809**	76,847	**12**	5
	713,749	255,532	**1,709**	4,028

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 2012 and 31 December 2011, no single external customers accounted for 10% or more of the Group's total revenue from continuing operations.

7. OTHER OPERATING INCOME

Other operating income included the following items:

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Continuing operations		
Interest income	**549**	533
Net exchange gain	**2,538**	9,294
Provision for loss in litigation written back	**3,599**	–
Gain on disposal of land use rights	–	2,980

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

8. INCOME TAX EXPENSES

	2012 HK$'000	2011 HK$'000
Continuing operations		
Tax charges comprises:		
Current tax - Provision for PRC enterprises income tax	**685**	2,042
(Over)/under-provision for PRC enterprises income tax	**(61)**	706
	624	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 2012 (2011: Nil). PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both years.

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

	2012 HK$'000	2011 HK$'000
(Loss)/profit before taxation from continuing operations	**(5,712)**	4,598
Tax at the rates applicable to profits in the countries concerned	**(719)**	1,585
Tax effect of non deductible expenses	**3,957**	3,952
Tax effect of non taxable revenue	**(2,553)**	(3,495)
(Over)/under-provision in previous year	**(61)**	706
Tax effect for the year (relating to continuing operations)	**624**	2,748

The revaluation surplus for the year (2011: 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 revaluation surplus relating to properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

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 Company and the Joint Venture Company, the Company's 42%-owned associate, which carried out all of the Group's fibreboards operations, requiring them to cease their fibreboard business operations in Foshan City before 31 December 2011, in order to reduce the emission of pollutants and improving the environment in the region.

The Company has signed a Compensation Memorandum with the Foshan City Nanhai District People's Government「佛山市南海區人民政府」("Foshan Nanhai Government") as a result of the cessation of the fiberboard business. 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 of not less than RMB300 million will be made to the Group as compensation for the cessation of fibreboard business. Details of this transaction and the terms of compensations have been given in the Company's announcement dated at 20 December 2011.

The Group's fibreboard business ceased operation on 20 December 2011.

The property, plant and equipment and inventories owned by Kang Sheng and Jia Shun were valued on an open market value basis on 31 December 2012 by Associated Surveyors & Auctioneers Ltd., an independent firm of professional valuers. An impairment loss was recognised in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

9. DISCONTINUED OPERATIONS (Continued)

The results of the discontinued operations included in the consolidated statement of comprehensive income and consolidated statement of cash flows are set out below.

	2012	2011
	HK$'000	HK$'000
Profit/(loss) for the year from discontinued operations		
Turnover	**31,985**	452,791
Cost of sales	**(33,343)**	(458,726)
Gross loss	**(1,358)**	(5,935)
Other operating income	**662**	16,230
Selling and distribution costs	**(91)**	(661)
Administrative expenses	**(12,253)**	(34,041)
Share of loss of an associate	**(2,698)**	(7,407)
	(15,738)	(31,814)
Attributable income tax credit	**–**	311
	(15,738)	(31,503)
Impairment loss on inventories	**(3,765)**	(9,865)
Impairment loss on property, plant and equipment	**(11,426)**	(21,438)
Net compensation from cessation of fibreboard business	**122,346**	–
Net loss on disposal of fibreboard business assets	**(1,204)**	–
Attributable income tax expense	**(20,295)**	–
	85,656	(31,303)
Profit/(loss) from discontinued operations and compensation	**69,918**	(62,806)
Gain on writing back unclaimed liabilities and accounts payable legally time barred and lapsed, net of income tax *(Note)*	**41,947**	–
Net profit/(loss) for the year from discontinued operations (attributable to owners of the Company)	**111,865**	(62,806)

Note: The unclaimed liabilities and accounts payable were from the fibreboard business. These liabilities and payable have been outstanding since 2003. According to the legal opinion obtained, they had become legally time barred and lapsed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

9. DISCONTINUED OPERATIONS (Continued)

Profit/(loss) for the year from discontinued operations include the following:

	2012	2011
	HK$'000	HK$'000
Depreciation and amortisation	**–**	23,198
Auditor's remuneration	**–**	172

Cash flows from discontinued operations

	2012	2011
	HK$'000	HK$'000
Net cash inflows from operating activities	**11,824**	35,152
Net cash inflows/(outflows) from investing activities	**186,334**	(13,992)
Net cash inflows	**198,158**	21,160

10. ASSETS CLASSIFIED AS HELD FOR SALE

	2012	2011
	HK$'000	HK$'000
Assets related to fibreboard business classified as held for sale *(Note 1)*	**13,617**	381,207
Liabilities directly associated with assets classified as held for sale *(Note 1)*	**–**	64,917

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

10. ASSETS CLASSIFIED AS HELD FOR SALES (Continued)

Note:

1) Property, plant and equipment amounting to HK$2,770,000 had ceased to be classified as held for sale and were transferred to correspondent assets at revalued amount. The loss on revaluation was recognised in the consolidated statement of comprehensive income.

The major classes of assets and liabilities of the fibreboard business at the end of the reporting period are as follows:

	2012	2011
	HK$'000	HK$'000
Property, plant & equipment	**10,656**	99,752
Land use rights	**–**	54,220
Goodwill	**–**	89,880
Investment in an associate	**–**	2,773
Inventories	**2,961**	44,165
Trade and other receivables	**–**	36,116
Bank balance and cash	**–**	54,301
Assets classified as held for sale	**13,617**	381,207
Trade and other payables	**–**	(63,215)
Tax payables	**–**	(1,702)
Liabilities directly associated with assets classified as held for sale	**–**	(64,917)
Net of assets classified as held for sale	**13,617**	316,290

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

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

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Continuing operations		
(Loss)/profit for the year has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	**7,610**	6,674
Auditor's remuneration	**700**	828
Staff costs (including directors' remuneration and retirement benefit scheme contribution)	**15,707**	15,685
Loss/(gain) on disposal of property, plant and equipment	**16**	(2,905)
Gross rental income from investment properties	**(2,245)**	(1,966)
Less:		
Direct operating expenses from investment properties that generated rental income during the year	**18**	160
Direct operating expenses from investment properties that did not generated rental income during the year	**297**	535
	(1,930)	(1,271)

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

a. Directors' emoluments

The emoluments paid or payable to each of the six (2011: six) directors were as follows:

2012	**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	**108**	**283**	**–**	**16**	**407**
Mr. Chan Kwok Wai	**86**	**–**	**–**	**–**	**86**
Mr. Chen Da Cheng	**86**	**–**	**–**	**–**	**86**
Mr. Deng Hong Ping	**86**	**–**	**–**	**–**	**86**

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

No directors had waived any emoluments for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

b. Employees' emoluments

During the year, the five highest paid individuals included two directors (2011: two directors), details of whose emoluments are set out above. The emoluments of the other three individuals (2011: three individuals) were as follows:

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Salaries and other benefits	**1,451**	1,624
Retirement benefits scheme contributions	**46**	42
	1,497	1,666

The aggregate emoluments of each of these three (2011: 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$110,152 (2011: HK$116,688) 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$25,000 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$59,302 (2011: HK$54,947).

14 EARNINGS/(LOSS) PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted earnings/(loss) per share is based on the profit attributable to the owners of the Company of approximately HK$105,529,000 (2011: loss of HK$60,956,000) and on the number of 1,188,329,142 ordinary shares (2011: 1,188,329,142 ordinary shares) in issue during the year.

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

From continuing operations

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

(Loss)/earnings figures are calculated as follows:

	2012	2011
	HK$'000	HK$'000
Profit/(loss) for the year attributable to owners of the Company	**105,529**	(60,956)
Less:		
Profit/(loss) for the year from discontinued operations	**111,865**	(62,806)
(Loss)/earnings for the purpose of basic/diluted (loss)/earnings per share from continuing operations	**(6,336)**	1,850

The denominators used are the same as those detailed above for both basis and diluted earnings/(loss) per share.

From discontinued operations

Basic/diluted earnings per share for the discontinued operations is HK9.41 cents per share (2011: HK5.29 cents loss per share), based on the profit for the year from the discontinued operations of HK$111,865,000 (2011: Loss of HK$62,806,000) and the denominators detailed above for both basic and diluted earnings/(loss) per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

15. INVESTMENT PROPERTIES

	In the PRC held under medium-term leases HK$'000	In Hong Kong held under medium-term leases HK$'000	Total HK$'000
FAIR VALUE OF INVESTMENT PROPERTIES			
As at 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 and 1 January 2012	**571**	**11,230**	**11,801**
Increase/(decrease) in fair value recognised in the consolidated statement of comprehensive income	(111)	270	159
As at 31 December 2012	**460**	**11,500**	**11,960**

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 2012 by Associated Surveyors & Auctioneers Ltd., an independent firm of professional valuers, on an open market value basis. This valuation gave rise to a revaluation surplus of HK$159,000 (2011: Nil), which has been credited to the consolidated statement of comprehensive income.

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 CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

16. PROPERTY, PLANT AND EQUIPMENT

2012

	Hotel properties in the PRC held under medium-term leases 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 2012	92,200	228	30,425	16,022	2,487	141,362
Additions	–	1,023	619	67	–	1,709
Transfer	–	(1,253)	1,042	211	–	–
Disposals and write off	–	–	(304)	(783)	–	(1,087)
Transferred from held for sale	–	–	193	1,645	932	2,770
Exchange difference	–	2	92	159	7	260
At 31 December 2012	92,200	–	32,067	17,321	3,426	145,014
Comprising:						
At cost	–	–	32,067	17,321	3,426	52,814
At valuation – 2012	92,200	–	–	–	–	92,200
	92,200	–	32,067	17,321	3,426	145,014
DEPRECIATION						
At 1 January 2012	–	–	14,805	12,695	2,193	29,693
Provided for the year	2,973	–	3,753	704	180	7,610
Eliminated on disposals and write off	–	–	(291)	(762)	–	(1,053)
Eliminated on revaluation	(2,973)	–	–	–	–	(2,973)
Exchange difference	–	–	(19)	132	4	117
At 31 December 2012	–	–	18,248	12,769	2,377	33,394
NET BOOK VALUES						
At 31 December 2012	92,200	–	13,819	4,552	1,049	111,620

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

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 CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

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 2012 by Associated Surveyors & Auctioneers Ltd., an independent firm of professional valuers. The surplus HK$2,973,000 arising from the revaluation (2011: Surplus of HK$1,886,000) 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$51,902,000 (2011: HK$53,649,000).

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	
	2012	2011
	HK$'000	HK$'000
Carrying amount at 1 January	**–**	53,206
Reclassified as held for sale	**–**	(54,220)
Exchange difference	**–**	2,393
Amortisation of land use rights	**–**	(1,379)
Carrying amount at 31 December	**–**	–

As at 31 December 2012, no land use rights (2011: carrying value of HK$14,923,000) has been pledged for application of banking facilities.

18. GOODWILL

THE GROUP

	2012	2011
	HK$'000	HK$'000
COST		
Balance at beginning of year	**–**	97,484
Reclassified as held for sale	**–**	(97,484)
Balance at end of year	**–**	–
IMPAIRMENT LOSS		
Balance at beginning of year	**–**	7,604
Reclassified as held for sale	**–**	(7,604)
Balance at end of year	**–**	–
CARRYING VALUES	**–**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

18. GOODWILL (Continued)

Goodwill has been allocated to the CGU of the Group's operations in relation to the manufacturing and trading of medium density fibreboards.

As described in Note 9, the fibreboard business of the Company has ceased operation on 20 December 2011. At the end of 2011, goodwill was reclassified as assets held for sale.

19. INVESTMENT IN AN ASSOCIATE

	2012	2011
	HK$'000	HK$'000
Unlisted shares, at cost	**10,108**	10,108
Share of loss of an associate	**(10,105)**	(7,407)
Share of exchange reserve	**(3)**	72
Share of net assets	**–**	2,773
Reclassified as held for sale	**–**	(2,773)
	–	–

Details of the Group's associate as at 31 December 2012 are set out as follows:

Name of an associate	**Place of registration/ operation**	**Paid up registered capital**	**Proportion ownership interest held by the Company**		**Principal Activities**
		RMB	2012	2011	
Foshan Nanhai Kangyao Board Co., Ltd.	People's Republic of China	20,000,000	42%	42%	Production, processing and sales of overlaid wooden board products

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

19. INVESTMENT IN AN ASSOCIATE (Continued)

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

	2012 HK$'000	2011 HK$'000
Total assets	**2,641**	10,828
Total liabilities	**(2,862)**	(4,225)
Net (liabilities)/assets	**(221)**	6,603
Group's share of net assets of an associate	**–**	2,773

	2012 HK$'000	2011 HK$'000
Total revenue	**240**	3,684
Total loss for the year	**(6,815)**	(17,636)
Group's share of loss of an associate*	**(2,698)**	(7,407)
Group's share of exchange different arising of the foreign operation associate	**(75)**	72

* Share of loss of an associate had been recognised in the profit for the year from discontinued operations in the consolidated statement of comprehensive income.

20. INVESTMENT IN SUBSIDIARIES

	THE COMPANY 2012 HK$'000	 2011 HK$'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 2012 are set out in note 34.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

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	
	2012	2011
	HK$'000	HK$'000
Food, beverages and hotel supplies	**1,592**	1,927

The directors considered the provision for inventory obsolescence of continuing operation is not required. (2011: Nil)

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 customers.

The following is an aging analysis of the Group's trade receivables which presented based on the invoice date at the end of the reporting period:

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
0-60 days	**1,151**	1,071
61-90 days	**446**	339
91-120 days	**69**	322
over 120 days	**386**	414
Trade receivables	**2,052**	2,146
Other receivables	**151,562**	1,851
	153,614	3,997

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

23 TRADE AND OTHER RECEIVABLES (Continued)

The Group's other receivables under current assets as at 31 December 2012 include compensation amounts receivable of HK$149,315,000 in relation to discontinued operations stated in note 9.

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$365,000 (2011: HK$118,000) is due from the Group's largest customer. There are eight (2011: five) other customers who represent more than 5% of the total balance of trade receivables amounting to HK$1,228,000 (2011: HK$782,000).

Trade receivables of HK$221,000 (2011: Nil) which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts. The amount is still considered recoverable by the management because a court case regarding the amount was being lodged and ruled in favour of the Company in the current year; and part of the amount had been received after the year end.

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 considered that the carrying amount of trade and other receivables approximates to their fair value.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012	2011
	HK$'000	HK$'000
THE GROUP		
Listed shares in Hong Kong	**1**	1
Market value of listed shares	**1**	1
Carrying amount analysed for reporting purposes as:		
Current	**1**	1
Non-current	**–**	–
Total	**1**	1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

25. BANK BALANCE 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 0.98% to 1.7% in Hong Kong and ranged from 0.03% to 1.21% in PRC. (2011: 0.68% to 2.23% in Hong Kong and 0.4% 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	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong Dollars	**29,041**	49,079	**159**	162
Renminbi	**341,335**	13,347	**–**	–
United States Dollars	**5,046**	282	**1**	–
	375,422	62,708	**160**	162

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 statement of financial position as follows:

	2012	2011
	HK$'000	HK$'000
Bank balances and cash	**375,422**	62,708
Bank balances and cash included in assets classified as held for sale	**–**	54,301
	375,422	117,009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

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	
	2012	2011
	HK$'000	HK$'000
0-60 days	**1,341**	1,705
61-90 days	**180**	122
91-120 days	**83**	203
over 120 days	**4,137**	369
Trade payables	**5,741**	2,399
Other payables	**110,912**	90,311
	116,653	92,710

The directors consider that the carrying amount of trade and other payable approximates to 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 2012 and 2011, the balance of HK$75,000,000 notes were due but not converted. Such principal monies together with all interest accured 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	
	2012	2011	**2012**	2011
			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 CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

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 2012 and 2011, 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 income statement in respect of the value of options granted for both years.

The above-mentioned share option scheme shall lapse on 20 May 2013, and the Group will accordingly propose to adopt a new share option scheme at the 2013 annual general meeting of the Company, details of which will be set out in a circular to be sent to the shareholders of the Company as soon as possible.

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. 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.

30. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	2012	2011
	HK$'000	HK$'000
Minimum lease payments paid under operating leases during the year:		
Premises	**2,526**	36,470

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

	2012	2011
	HK$'000	HK$'000
Within one year	**5,672**	5,153
In the second to fifth year inclusive	**19,150**	18,140
Over fifth year	**13,308**	13,177
	38,130	36,470

Operating lease payments represent rentals payable by the Group for its office premises. It included outstanding commitments amounted to HK$31,350,000 can be terminated through negotiation. Leases are negotiated for an average terms of 2 years to 3 years.

The Group as lessor

The Group's properties rental income earned during the year was approximately HK$2,245,000 (2011: HK$1,966,000). 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:

	2012	2011
	HK$'000	HK$'000
Within one year	**4,081**	3,843
In the second to fifth year inclusive	**4,406**	14,200
Over fifth year	**1,895**	–
	10,382	18,043

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

31. COMMITMENTS

	2012 HK$'000	2011 HK$'000
Commitments for the acquisition of the property, plant and equipment	**–**	4

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:

	2012 HK$'000	2011 HK$'000
Short-term employee benefits	**3,777**	3,948
Post-employment employee benefits	**107**	119
	3,884	4,067

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.

33. EVENT AFTER THE REPORTING PERIOD

On 31 January 2013, the company disposed of the equipment of fibreboard business for a consideration of RMB11,800,000 (approximately HK$14,715,000) to an independent third party through an auction process.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

34. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2012 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	US$9,690,000	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

34. 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
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
Foshan City Nanhai Canmanage Investments Holdings Limited* 佛山市南海康美投資有限公司 *(Note)*	PRC	RMB30,000,000	100	Investment holding
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.
*: For identification purpose only

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				
	2008*	2009*	2010*	2011	**2012**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Continuing operations					
Turnover	472,503	413,730	489,873	36,560	**35,738**
(Loss)/profit for the year	17,115	(42,029)	20,872	1,850	**(6,336)**
Discontinued operations	–	–	–	(62,806)	**111,865**
Profit/(loss) for the year attributable to owners	17,115	(42,029)	20,872	(60,956)	**105,529**
Earnings/(loss) per share					
From continuing and discontinued operations					
– Basic	HK1.44cents	(HK3.54cents)	HK1.76cents	(HK5.13cents)	**HK8.88cents**
– Diluted	N/A	N/A	N/A	N/A	**N/A**

	Year ended 31 December				
	2008*	2009*	2010*	2011	**2012**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	767,877	686,907	721,642	636,739	**727,366**
Total liabilities	(187,564)	(177,540)	(186,102)	(159,714)	**(139,586)**
Equity attributable to owners of the Company	580,313	509,367	535,540	477,025	**587,780**

* *The result for each of the year from 2008 – 2010 have not been re-presented for the discontinued operations.*

PARTICULARS OF MAJOR PROPERTIES

Particulars of major properties held by the Group as at 31 December 2012 are as follows:

Name/Location	Effective % held	Category of lease	Type	Total gross floor area on completion (s.m.)	Stage	Expected year of 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 2012 are as follows:

Name/Location	Effective % held	Category of lease	Type	Total gross floor area on completion (s.m.)	Stage	Expected year of 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