



中國興業控股有限公司

**China Investments Holdings Limited**

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

**2014**  
**INTERIM REPORT**

## CORPORATE INFORMATION

Executive Directors	He Xiangming (Chairman) Su Wenzhao (Managing Director) You Guang Wu (Director) Huang Zhihe (Deputy Managing Director) Wang Xin (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 He Xiangming You Guang Wu
Nomination Committee	He Xiangming (Chairman) You Guang Wu 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
Registrar	MUFG Fund Services (Bermuda) Limited The Belvedere Building 69 Pitts Bay Road Pembroke HM08 Bermuda
Branch Registrar	Tricor Progressive Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal Bankers	Bank of China Bank of Communications Bank of East Asia, Limited Wing Hang Bank Ltd.
Solicitors	Woo, Kwan, Lee & Lo
Auditor	HLM CPA Limited <i>Certified Public Accountants</i>
Company Secretary	Lo Tai On
Stock Code	132
Website	<a href="http://chinainvestments.quamir.com">http://chinainvestments.quamir.com</a>

## RESULTS

For the six months ended 30 June 2014, the Group's turnover amounted to HK\$13,727,000, representing a decrease of 12.3% as compared to the same period last year. Due to the substantial depreciation of Renminbi during the period, the Group recorded exchange loss of HK\$8,627,000. The joint venture project preparatory work and acquisitions carried out in the first half of the year resulted in increase of HK\$3,456,000 in the relevant professional fees, while new acquisitions had not yet been concluded and the newly established joint venture made no significant contribution to the operating results of the Group. Thus, the Group turned from profit to loss in the first half of the year and recorded operating loss of HK\$21,109,000.

## BUSINESS REVIEW

### Hotel Business

Being continuously affected by the heavy-handed crackdowns on use of public funds for hospitality purposes, the hotel and catering industries in China engaged in significant price reductions to attract customers, imposing high pressure on room rates and catering consumption. During the period, Guilin Plaza proactively explored new markets, increased the share of group tourists and reinforced cooperation with tourism network companies, in an effort to improve room sales. Meanwhile, the hotel continued to maintain effective control over operating costs, so as to reduce operation expenditures. As at 30 June 2014, Guilin Plaza recorded turnover of HK\$9,873,000, representing a decrease of 9.2% as compared to the same period last year. Coupled with the substantial depreciation of Renminbi during the period, the hotel recorded exchange loss of HK\$432,000 while an exchange gain of HK\$957,000 was reported for the same period last year. Accordingly, the operating loss significantly increased to HK\$4,355,000, up by 85.7% as compared to the same period last year.

### Property Investment

As at 30 June 2014, the Group's rental income amounted to HK\$1,229,000, which was an increase of 5.6% over the same period last year. The property occupancy rate was 70.5%, representing an increase of 0.6% as compared to the same period last year.

In respect of the acquisition of the 98 office units situated at Block 1 of Guangdong-Hongkong Finance & Technology Park (粵港金融科技園), 6 Jinke Road, Guicheng Street, Nanhai District, Foshan City, Guangdong Province, the PRC, the completion date of the acquisition will be delayed to no later than 31 December 2014 since the utility facilities in the surrounding areas of the property have not been completed (including failure in providing water supply as scheduled).

## Gains on Investments in an Associated Company

All the relevant approval procedures for the establishment of a joint venture, Guangdong Financial Leasing Co., Ltd. (“Guangdong Financial Leasing”), a 25%-owned associated company of the Group, had completed and Guangdong Financial Leasing has commenced its finance leasing business in April 2014. As at 30 June 2014, Guangdong Financial Leasing contributed a revenue of HK\$1,575,000 to the Group.

## Financial Position and Analysis

As at 30 June 2014, the Group had total assets of HK\$788,618,000 (31 December 2013: HK\$715,412,000). The Group had bank loans of HK\$101,878,000 (31 December 2013: nil), but had no other long-term debts (31 December 2013: Nil). Net assets was HK\$568,092,000 (31 December 2013: HK\$592,058,000). Gearing ratio (being bank loans and long term debts divided by total assets) was 12.9% (31 December 2013: 0%). Net assets per share amounted to HK47.81 cents (31 December 2013: HK49.82 cents).

The Group’s net current assets amounted to HK\$236,757,000 (31 December 2013: HK\$452,287,000). Current ratio (being current assets divided by current liabilities) was approximately 2.07 times (31 December 2013: 4.67 times), while bank balances and cash amounted to HK\$264,786,000 (31 December 2013: HK\$378,888,000) and expected there would 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

As at 30 June 2014, certain bank deposits of the Group with a carrying amount of approximately RMB96,252,000 were pledged to bank, and the property with a consideration of approximately RMB199,975,000 which was acquired on 16 September 2013 subject to complete, had underwent the presale mortgage registration procedure as security for the credit facilities granted to the Group (2013: 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. However, due to the Hong Kong based Group putting a great deal of business loans into domestic wholly-owned subsidiaries and the great amount of RMB-denominated monetary assets owned by the Group, 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 appreciates or depreciates by 5%, it will cause an increase or decrease of approximately HK\$17,847,000 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 and still maintained upward momentum. But the exchange rate of RMB

showed a temporary downward trend in the first half of the year, resulting in an exchange loss of approximately HK\$8,627,000 by the Group. And then it rallied up in the beginning of June and returned to the stable and upward track. In light of this, 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 in the long run. Accordingly, it is unnecessary for the Group to hedge against any foreign exchange risk.

### **Acquisition after the Reporting Period**

On 5 June 2014, China Investments Limited, a wholly-owned subsidiary of the Company, entered into an acquisition agreement with Office of the Nanhai District of Foshan City Public Assets Administration Commission, Prize Rich Inc. and related persons in relation to the indirect acquisition of the 32.636% equity interests in Nanhai Changhai Power Company Limited (“Changhai Power”) at the total consideration of HK\$497,400,000. Of which, HK\$331,168,000 will be satisfied by the issue of 524,000,000 shares of the Company to Prize Rich Inc. at the price of HK\$0.632, and HK\$166,232,000 will be satisfied by the issue of the convertible bonds of the Company to Prize Rich Inc.. The aforesaid acquisition agreement and the relevant transactions as contemplated thereunder had been approved at the special general meeting of the Company held on 16 July 2014.

Changhai Power operates a combined heat and power plant in Nanhai District, Foshan City, which supplies electricity and heated steam in Nanhai District. The cogeneration of thermal power and heat business has untapped potential in the PRC, and the heated steam supply capacity of Changhai Power is currently under utilized. The Board believes that the acquisition of Changhai Power will help improve the profitability of the Group, enabling the Group to further explore the potential of the cogeneration of thermal power and heat business.

### **Outlook**

In the first half of the year, the Group underwent business transformation and project research and acquisition. The Board believe that the completion of the acquisition of the property in Guangdong-Hongkong Finance & Technology Park and the 32.636% equity interests of Changhai Power in the second half of the year will gradually improve and enhance the operation efficiency of the Group, so as to consolidate the financial base of the Group and prepare for the further investment expansion in the future.

## DIRECTORS INTERESTS IN SHARES

As at 30 June 2014, according to the register maintained by the Company pursuant to section 352 of the Securities and Future Ordinance (the “SFO”), none of the directors who held office on 30 June, 2014, or their associates, had any interests in any shares, underlying shares or debentures of the Company or any of its associated corporation.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, according to the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, the persons who were interested in 5% or more in the shares and underlying shares of the Company are as follows:

Names	Number of shares	Notes	Capacity	Approximate percentage of total issued share capital as at 30 June 2014
廣東南海控股投資有限公司 (Guangdong Nanhai Holding Investment Co., Ltd.*)	1,091,943,493	1	Corporate interest	91.89%
Leung Siu Fai	151,610,779	2	Corporate interest	12.76%
Mighty Management Limited	151,610,779	2	Beneficial owner	12.76%
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%

Notes:

- The 1,091,943,493 shares comprises: (i) 349,217,178 shares held by Prize Rich Inc which was wholly-owned by 廣東南海控股投資有限公司 (Guangdong Nanhai Holding Investment Co., Ltd.\*); (ii) 524,000,000 new shares to be allotted and issued by the Company to Prize Rich Inc pursuant to an acquisition agreement as part of the consideration; and (iii) 218,726,315 new shares to be allotted and issued by the Company to Prize Rich Inc upon the exercise of conversion rights attaching to the convertible bonds to be issued by the Company to Prize Rich Inc pursuant to the acquisition agreement as part of the consideration. Details of the acquisition etc. are set out in an announcement of the Company dated 5 June 2014 and a circular of the Company dated 30 June 2014.
- These 151,610,779 shares were held by Mighty Management Limited which was wholly owned by Mr. Leung Siu Fai.
- 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.

## **INTERIM DIVIDEND**

The Board does not declare any interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

## **SHARE OPTIONS**

A share option scheme was adopted by shareholders of the Company at the annual general meeting held on 26 April 2013 (the "Share Option Scheme"). The Share Option Scheme is for a term of 10 years from the date of adoption. No option has been granted since the adoption of the Share Option Scheme.

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

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

## **EMPLOYEES**

The total number of employees of the Group is approximately 211 (31 December 2013: 212). The remuneration of each employee of the Group is determined on the basis of his or her responsibility and performance. The Group provides education allowances to the employees.

## **CORPORATE GOVERNANCE**

The Company placed great emphasis in corporate governance, and reviewed and strengthened measures in corporate governance from time to time. The Company has adopted all the code provisions under the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code on corporate governance practices. The Company has complied with all the code provisions under the Code during the six months ended 30 June 2014.

## **CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors. On specific enquiries made, all directors have confirmed that, in respect of the six months ended 30 June 2014, they have complied with the required standard as set out in the Model Code.

## CHANGES OF DIRECTORSHIP

There were following changes of directorship of the Company since 1 January 2014:-

1. On 13 March 2014, Mr. WU Yongqing resigned as an executive director and the deputy managing director of the Company;
2. On 1 May 2014, Ms. WANG Xin was appointed as an executive director and deputy managing director of the Company; and
3. On 23 July 2014, (i) Mr. HE Xiangming was appointed as an executive director of the Company; (ii) Mr. YOU Guang Wu resigned as the chairman of the Board and nomination committee of the Company and remains as an executive director and a member of nomination committee and remuneration committee of the Company; (iii) Mr. SU Wenzhao resigned as a member of the nomination committee and remuneration committee of the Company; and (iv) Mr. HE Xiangming was appointed as the chairman of the Board, the chairman and a member of nomination committee of the Company and a member of the remuneration committee of the Company.

## CHANGES OF DIRECTOR'S INFORMATION UNDER RULE 13.51(B)1 OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the change of directors' information of the Company since the date of the 2013 annual report is as follows:

The salary and director's fee of Mr. HUANG Zhihe, an executive director of the Company, have been adjusted to RMB260,000 per annum and HK\$130,000 per annum respectively with effect from 1 April 2014.

## AUDIT COMMITTEE

The audit committee comprising the three independent non-executive directors of the Company has reviewed with the management the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters, including review of the unaudited interim results for the six months ended 30 June 2014.

By Order of the Board  
**China Investments Holdings Limited**  
**He Xiangming**  
*Chairman*

Hong Kong, 19 August 2014



## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
<b>Continuing operations</b>			
Turnover	4	13,727	13,254
Cost of sales and services		<u>(8,814)</u>	<u>(7,689)</u>
Gross profit		4,913	5,565
Other operating income	5	4,103	10,522
Selling and distribution costs		(828)	(289)
Administrative expenses		(30,343)	(13,835)
Share of profit of an associate		1,575	-
Finance costs	6	<u>(379)</u>	<u>-</u>
(Loss)/profit before taxation		(20,959)	1,963
Income tax expenses	7	<u>(150)</u>	<u>(1,287)</u>
(Loss)/profit for the period from continuing operations	8	<u>(21,109)</u>	<u>676</u>
<b>Discontinued operations</b>			
Profit for the period from discontinued operations	12	<u>-</u>	<u>849</u>
(Loss)/profit for the period and attributable to owners of the Company		<u>(21,109)</u>	<u>1,525</u>
<b>Other comprehensive (expense)/income, net of income tax</b>			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		(4,377)	2,935
Share of exchange difference of an associate		<u>1,520</u>	<u>-</u>
Other comprehensive (expense)/income for the period, net of income tax		<u>(2,857)</u>	<u>2,935</u>
Total comprehensive (expense)/income for the period and attributable to owners of the Company		<u>(23,966)</u>	<u>4,460</u>
<b>(Loss)/earnings per share</b>			
10			
From continuing and discontinued operations			
Basic		<u>(HK1.78 cents)</u>	<u>HK0.13 cents</u>
Diluted		<u>(HK1.78 cents)</u>	<u>HK0.13 cents</u>
From continuing operations			
Basic		<u>(HK1.78 cents)</u>	<u>HK0.06 cents</u>
Diluted		<u>(HK1.78 cents)</u>	<u>HK0.06 cents</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

		30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
	Notes		
<b>Non-current assets</b>			
Investment properties	11	11,422	11,422
Property, plant and equipment	11	124,841	128,349
Interests in an associate	13	195,072	–
		<u>331,335</u>	<u>139,771</u>
<b>Current assets</b>			
Properties held for sale		57,578	57,578
Inventories		1,442	1,590
Trade and other receivables	14	133,476	137,584
Financial assets at fair value through profit or loss		1	1
Pledged bank deposit		120,237	–
Bank balances and cash		144,549	378,888
		<u>457,283</u>	<u>575,641</u>
<b>Current liabilities</b>			
Trade and other payables	15	104,785	104,683
Tax payable		13,863	18,671
Bank loans	16	101,878	–
		<u>220,526</u>	<u>123,354</u>
<b>Net current assets</b>		<u>236,757</u>	<u>452,287</u>
<b>Total assets less current liabilities</b>		<u>568,092</u>	<u>592,058</u>
<b>Capital and reserves</b>			
Share capital	17	118,833	118,833
Reserves		449,259	473,225
<b>Equity attributable to owners of the Company</b>		<u>568,092</u>	<u>592,058</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company						
	Share capital	Share premium	Statutory reserve (note)	Hotel properties revaluation reserve*	Exchange reserve	Accumulated losses	Total
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
<b>THE GROUP</b>							
At 1 January 2014	118,833	484,159	31,753	39,580	(46,995)	(35,272)	592,058
Loss for the period	-	-	-	-	-	(21,109)	(21,109)
Transfer to statutory reserve	-	-	10,824	-	-	(10,824)	-
Other comprehensive expense for the period							
- Release of revaluation reserve of hotel properties	-	-	-	(671)	-	671	-
- Exchange differences arising on translation of foreign operations	-	-	-	-	(4,377)	-	(4,377)
- Share of exchange difference of an associate	-	-	-	-	1,520	-	1,520
Other comprehensive expense for the period	-	-	-	(671)	(2,857)	671	(2,857)
Total comprehensive expense for the period	-	-	10,824	(671)	(2,857)	(31,262)	(23,966)
At 30 June 2014	<u>118,833</u>	<u>484,159</u>	<u>42,577</u>	<u>38,909</u>	<u>(49,852)</u>	<u>(66,534)</u>	<u>568,092</u>

	Attributable to owners of the Company						
	Share capital	Share premium	Statutory reserve (note)	Hotel properties revaluation reserve*	Exchange reserve	Accumulated losses	Total
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
THE GROUP							
At 1 January 2013	118,833	484,159	31,753	40,304	(52,095)	(35,174)	587,780
Profit for the period	-	-	-	-	-	1,525	1,525
Other comprehensive income for the period							
- Release of revaluation reserve of hotel properties	-	-	-	(661)	-	661	-
- Exchange differences arising on translation of foreign operations	-	-	-	-	2,935	-	2,935
Other comprehensive income for the period	-	-	-	(661)	2,935	661	2,935
Total comprehensive income for the period	-	-	-	(661)	2,935	2,186	4,460
At 30 June 2013	<u>118,833</u>	<u>484,159</u>	<u>31,753</u>	<u>39,643</u>	<u>(49,160)</u>	<u>(32,988)</u>	<u>592,240</u>

\* Item that will not be reclassified to profit or loss

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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 30 June 2014*

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Net cash (used in)/generated from operating activities</b>	<u>(13,767)</u>	<u>137,080</u>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(1,777)	(1,081)
Investment in an associate	(191,977)	–
Placement of pledged bank deposit	(120,237)	–
Placement of time deposit with maturity over three months	(62,422)	–
Net proceeds from disposal of fibreboard business assets	–	16,688
Interest received	5,103	5,884
Interest paid	(29)	–
Net proceeds from disposal of property, plant and equipment	<u>54</u>	<u>–</u>
<b>Net cash (used in)/generated from investing activities</b>	<u>(371,285)</u>	<u>21,491</u>
<b>Financing activity</b>		
New bank loan raised	<u>101,878</u>	<u>–</u>
<b>Net cash generated from financing activity</b>	<u>101,878</u>	<u>–</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(283,174)</b>	<b>158,571</b>
Cash and cash equivalents at 1 January	378,888	375,422
Effect of foreign exchange rates changes	<u>(13,587)</u>	<u>1,804</u>
<b>Cash and cash equivalents at 30 June</b>	<u><u>82,127</u></u>	<u><u>535,797</u></u>
<b>Analysis of the balances of cash and cash equivalents, being:</b>		
bank balances and cash	144,549	535,797
Less: time deposit with maturity over three months	<u>(62,422)</u>	<u>–</u>
	<u><u>82,127</u></u>	<u><u>535,797</u></u>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

*For the six months ended 30 June 2014*

### 1. BASIS OF PREPARATION

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

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

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

The interim condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair value or revalued amounts, as appropriate.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2013.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013.

HKFRS 10, HKFRS 12 and HKAS 27(Amendments)	Investment Entities
HKAS 32 (Amendments)	Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-financial Assets
HKAS 39 (Amendments)	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The application of the above new interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

**2. PRINCIPAL ACCOUNTING POLICIES AND 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.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 cycle <sup>3</sup>
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 cycle <sup>1</sup>
HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>4</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>6</sup>
HKFRS 7 and HKFRS 9 and HKAS 39 (Amendments)	Hedge Accounting and Amendments to HKFRS 7 HKFRS 9 and HKAS 39 <sup>2</sup>
HKFRS 11 (Amendments)	Accounting for Acquisition of Interests in Joint Operations <sup>5</sup>
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>5</sup>
HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted

<sup>2</sup> Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalized

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

<sup>4</sup> Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2017

**3. FINANCIAL RISK MANAGEMENT**

All aspects of the Group’s financial risk management objectives and policies are consistent with those disclosed in the annual financial statements for the year ended 31 December 2013.

In 2014, there were no significant changes in the business or economic circumstances that affect the fair value of the group’s financial assets and financial liabilities. There were also no reclassifications of financial assets.

#### 4. SEGMENT INFORMATION

For management purposes, the Group is currently organised into three operating divisions – hotel operations, property investment and other operating segment. 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
Other operating segment	–	wood processing

Fibreboards operation was discontinued in 2011. The segment information reported on this note does not include any amounts for discontinued operations.

	Segment Revenue		Segment Result	
	Six months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Hotel operations	9,873	10,869	(4,355)	(2,345)
Property investment	1,229	1,164	(30)	993
Other operating segment	<u>2,625</u>	<u>1,221</u>	<u>(438)</u>	<u>–</u>
Total for continuing operations	<u><u>13,727</u></u>	<u><u>13,254</u></u>	<u><u>(4,823)</u></u>	<u><u>(1,352)</u></u>
Interest income			3,515	5,884
Other exchange (loss)/gain			(8,193)	3,681
Professional fee			(3,865)	(409)
Share of profit of an associate			1,575	–
Finance costs			(379)	–
Net central administration cost			<u>(8,789)</u>	<u>(5,841)</u>
(Loss)/profit before taxation			(20,959)	1,963
Income tax expenses			<u>(150)</u>	<u>(1,287)</u>
(Loss)/profit for the period (continuing operations)			<u><u>(21,109)</u></u>	<u><u>676</u></u>

Segment result represents the (loss)/profit generated by each segment without allocation of investment income, central administration costs, directors' salaries and staff cost. This is the measure reported to the Group's management for the purposes of resource allocation and performance assessment.



## 4. SEGMENT INFORMATION (continued)

## Segment assets and liabilities

As at 30 June 2014

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
<b>Segment Assets</b>		
Hotel operations	126,502	129,199
Property investment	196,690	197,332
Other operating segment	<u>2,598</u>	<u>2,908</u>
Total segment assets	325,790	329,439
Pledged bank deposit	120,237	–
Bank balances and cash	144,549	378,888
Unallocated assets	<u>198,042</u>	<u>7,085</u>
Consolidated assets	<u>788,618</u>	<u>715,412</u>
<b>Segment Liabilities</b>		
Hotel operations	3,356	4,122
Property investment	393	405
Other operating segment	<u>1,030</u>	<u>882</u>
Total segment liabilities	4,779	5,409
Convertible notes	78,908	78,908
Bank loans	101,878	–
Unallocated liabilities	<u>34,961</u>	<u>39,037</u>
Consolidated liabilities	<u>220,526</u>	<u>123,354</u>

4. SEGMENT INFORMATION *(continued)***Other Information****For the six months ended 30 June 2014**

	Hotel operations <i>HK\$'000</i> (unaudited)	Property investment <i>HK\$'000</i> (unaudited)	Other operating segment <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
<b>Continuing operations</b>				
Depreciation	4,061	5	294	4,360
Additions to non-current assets (excluding interests in an associate)	1,763	-	-	1,763
Gain on disposal of property, plant and equipment	<u>14</u>	<u>-</u>	<u>-</u>	<u>14</u>

**For the six months ended 30 June 2013**

	Hotel operations <i>HK\$'000</i> (unaudited)	Property investment <i>HK\$'000</i> (unaudited)	Other operating segment <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
<b>Continuing operations</b>				
Depreciation	3,743	-	50	3,793
Additions to non-current assets (excluding interests in an associate)	968	-	-	968
Loss on disposal of property, plant and equipment	<u>24</u>	<u>-</u>	<u>-</u>	<u>24</u>

## 4. SEGMENT INFORMATION (continued)

**Geographic segments**

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

Property investments are 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 and geographical location of its non-current assets:

	Sales revenue by geographical market		Non-current assets	
	Six months ended 30 June		30 June	31 December
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(audited)
The PRC	13,377	11,677	125,140	128,425
Hong Kong	350	1,577	11,000	11,000
	<u>13,727</u>	<u>13,254</u>	<u>136,140</u>	<u>139,425</u>

**Information about major customers**

For the year ended 30 June 2014 and 30 June 2013, no single external customers accounted for 10% or more of the Group's total revenue from continuing operations.

## 5. OTHER OPERATING INCOME

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

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>Continuing operations</b>		
Interest income	3,515	5,884
Net exchange gain	<u>-</u>	<u>4,638</u>

## 6. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>Continuing operations</b>		
Interest on:		
Bank loans		
– wholly repayable within five years	<u>379</u>	<u>–</u>

## 7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>Continuing operations</b>		
Current tax – Provision for PRC enterprises		
income tax	<u>150</u>	<u>1,287</u>

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits for both periods.

PRC subsidiaries are subjected to PRC Enterprise Income Tax at 25% for both periods.

7. INCOME TAX EXPENSES *(continued)*

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

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	<b>(unaudited)</b>
(Loss)/profit before taxation from continuing operations	<u><b>(20,959)</b></u>	<u>1,963</u>
Tax at the domestic income tax rates applicable to (loss)/profit in the respective country	<b>(3,960)</b>	607
Tax effect of non-deductible expenses	<b>5,644</b>	2,414
Tax effect of non-taxable revenue	<b>(2,428)</b>	(2,447)
Tax effect of tax losses not recognised	<u><b>894</b></u>	<u>713</u>
Tax effect for the period (relating to continuing operations)	<u><b>150</b></u>	<u>1,287</u>

## 8. (LOSS)/PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS

	Six months ended 30 June	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
<b>Continuing operations</b>		
(Loss)/profit for the period has been arrived at after crediting/(charging):		
Depreciation of property, plant and equipment	(4,439)	(4,112)
Auditor's remuneration	(400)	(350)
Staff cost (including directors remuneration and retirement benefit scheme)	(7,296)	(6,821)
Gain/(loss) on disposal of property, plant and equipment	18	(24)
Net exchange (loss)/gain	(8,627)	4,638
Finance costs	(379)	-
Gross rental income from investment properties	1,229	1,164
Less: Direct operating expenses from investment properties that generated rental income during the period	(797)	(781)
Direct operating expenses from investment properties that did not generated rental income during the period	(143)	(151)
	<u>289</u>	<u>232</u>

## 9. DIVIDEND

The board does not declare an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

## 10. (LOSS)/EARNINGS PER SHARE

**From continuing and discontinued operations**

The calculation of the basic and diluted (loss)/earnings per share is based on the loss attributable to the owners of the Company of approximately HK\$21,109,000 (six months ended 30 June 2013: profit of HK\$1,525,000) and on the number of 1,188,329,142 ordinary shares (six months ended 30 June 2013: 1,188,329,142 ordinary shares) in issue during the period.

Diluted (loss)/earnings per share has been presented on the same basis as basic (loss)/earnings per share.

**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)/profit figures are calculated as follows:

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	<b>(unaudited)</b>
(Loss)/profit for the period attributable to owners of the Company	<b>(21,109)</b>	1,525
Less: Profit for the period from discontinued operations	<u>          —</u>	<u>          849</u>
(Loss)/profit for the purpose of basic/diluted (loss)/earnings per share from continuing operations	<u><b>(21,109)</b></u>	<u>          676</u>

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

**From discontinued operations**

No basic/diluted earnings per share for the discontinued operations for current period (six months ended 30 June 2013: HK0.07 cents earnings per share, based on the profit for the period from the discontinued operations of HK\$849,000 and the denominators detailed above for the both basic and diluted earnings per share).

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

During the current period, the Group disposed of certain furniture and fixture with an aggregate carrying amount of HK\$36,000 with consideration of HK\$54,000, resulting in a profit on disposal of HK\$18,000 (six months ended 30 June 2013: loss of HK\$24,000).

During the period, the Group spent approximately HK\$287,000 (six months ended 30 June 2013: HK\$812,000) on construction costs for hotel premise in the PRC.

The Group's hotel properties and investment properties as at 30 June 2014 were fair valued by the directors and valuation was arrived by reference to market evidence of transaction prices for similar properties.

The Directors considered that the carrying amount of the Group's hotel properties and investment properties approximately to the fair value as at 30 June 2014. There was no further revaluation surplus or deficit arising from the revaluation in respect of the Group's hotel properties and the investment properties as at 30 June 2014 (six months ended 30 June 2013: Nil). Consequently, no revaluation surplus or deficit has been recognized in the current period.

## 12. 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 Foshan Nanhai Kangyao Board Co., Ltd., the Company's 42%-owned associate, which carried out all of the Group's fibreboards operations, requiring them to cease their operations at the landed property (including land use rights and the buildings and structures thereon) situated at Foshan City which was leased to Kang Sheng and Jia Shun (“the property”) before 31 December 2011, in order to reduce the emission of pollutants and improving the environment in the region.

The Company had 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 fibreboard business. Pursuant to the Compensation Memorandum, Foshan Nanhai Government resumed the property situated at Foshan City that was leased to Kang Sheng and Jia Shun and a lump sum payment of not less than RMB300 million was paid to the Group as compensation for the cessation of fibreboard business. Details of this transaction and terms of compensations had been set out in the Company's announcement dated 20 December 2011.



## 12. DISCONTINUED OPERATIONS (continued)

The result of the discontinued operations included in the condensed consolidated statement of profit or loss and other comprehensive income and condensed consolidated statement of cash flow are set out below.

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Profit for the period from discontinued operations</b>		
Turnover	–	2,392
Cost of sales	–	(1,973)
	<u>–</u>	<u>(1,973)</u>
Gross profit	–	419
Other operating income	–	2,844
Administrative expenses	–	(2,414)
	<u>–</u>	<u>(2,414)</u>
Profit for the period from discontinued operations and attributable to owners of the Company	<u>–</u>	<u>849</u>

Profit for the period from discontinued operations includes the following:

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Depreciation	–	–
Auditor's remuneration	–	–
	<u>–</u>	<u>–</u>

**Cash flows from discontinued operations**

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Net cash outflows from operating activities	–	(792)
Net cash inflows from investing activities	–	13,037
	<u>–</u>	<u>13,037</u>
Net cash inflows	<u>–</u>	<u>12,245</u>

## 13. INTERESTS IN AN ASSOCIATE

On 17 January 2014, CIH Finance Investment Holdings Limited, a wholly-owned subsidiary of the Group, entered into the joint venture agreement with Guangdong Technology Financial Group Co., Ltd. (“Guangdong Tech-Finance”), Guangdong Qunxing Toys Joint-Stock Co., Ltd. (“Guangdong Qunxing”) and Centenio Group Co., Ltd. (“Centenio Group”) for the establishment of a joint venture company to engage in finance leasing business in Guangdong, the PRC. The initial registered capital of the joint venture company is RMB620,000,000 and it is contributed as to 35% by Guangdong Tech-Finance, 25% by CIH Finance Investment Holdings Limited, 20% by Guangdong Qunxing and 20% by Centenio Group.

	<b>30 June 2014 HK\$'000 (unaudited)</b>	31 December 2013 HK\$'000 (audited)
Cost of investment in an associate – Unlisted	191,977	–
Share of profit and other comprehensive income	<u>3,095</u>	<u>–</u>
	<u><b>195,072</b></u>	<u><b>–</b></u>

As 30 June 2014, the Group had interests in an associate:

Company name	Place and date of incorporation	Registered capital RMB	Proportion of registered capital held		Principal activities
			At 30 June 2014	At 31 December 2013	
Guangdong Financial Leasing Co., Ltd 廣東粵科融資租賃有限公司	The People's Republic of China (the “PRC”), 17 March 2014	620,000,000	25%	–	Finance leasing business and related advisory and guarantee services

## 13. INTERESTS IN AN ASSOCIATE (continued)

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

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Total assets	805,539	–
Total liabilities	<u>(25,252)</u>	<u>–</u>
Net assets	<u>780,287</u>	<u>–</u>
Group's share of net assets of an associate	<u>195,072</u>	<u>–</u>
	Six months ended 30 June 2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Total revenue	<u>8,191</u>	<u>–</u>
Total profit for the period	<u>6,301</u>	<u>–</u>
Group's share of profit of an associate	<u>1,575</u>	<u>–</u>
Group's share of other comprehensive income of an associate	<u>1,520</u>	<u>–</u>

#### 14. TRADE AND OTHER RECEIVABLES

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

	<b>30 June 2014 HK\$'000 (unaudited)</b>	31 December 2013 HK\$'000 (audited)
0 – 60 days	1,750	1,266
61 – 90 days	77	148
91 –120 days	37	123
Over 120 days	<u>34</u>	<u>88</u>
Trade receivables	1,898	1,625
Other receivables	<u>131,578</u>	<u>135,959</u>
	<u><b>133,476</b></u>	<u><b>137,584</b></u>

Other receivables included the following items:

	<b>30 June 2014 HK\$'000 (unaudited)</b>	31 December 2013 HK\$'000 (audited)
Deposit for the acquisition of property ( <i>Note 1</i> )	127,453	130,657
Interest receivable	2,155	3,743
Utility deposit, prepayment and other receivables	<u>1,970</u>	<u>1,559</u>
	<u><b>131,578</b></u>	<u><b>135,959</b></u>

*Note 1:*

Deposit for the acquisition of a property which comprises 98 office units situated at Block 1 of Guangdong-Hongkong, Finance and Technology Park, 6 Jinke Road, Guicheng Street, Nanhai District, Foshan City, Guangdong Province, the PRC, by way of pre-sale prior to the completion of the construction of the property.

The fair value of the Group's trade receivables and other receivables as at 30 June 2014 equal approximately to the corresponding carrying amounts.

## 15. TRADE AND OTHER PAYABLES

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

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
0 – 60 days	1,190	1,247
61 – 90 days	134	133
91 –120 days	149	121
Over 120 days	<u>213</u>	<u>196</u>
Trade payables	1,686	1,697
Other payables	<u>103,099</u>	<u>102,986</u>
	<u><u>104,785</u></u>	<u><u>104,683</u></u>

Other payables included the following items:

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Other tax payable	9,876	10,111
Convertible notes payable and interest thereon ( <i>Note 1</i> )	78,908	78,908
Others ( <i>Note 2</i> )	<u>14,315</u>	<u>13,967</u>
	<u><u>103,099</u></u>	<u><u>102,986</u></u>

*Notes:*

- On 9 May 2002, the Group issued HK\$230,000,000 convertible notes (the "Notes") which were due on 9 May 2007 (the "Maturity Date"), bearing interest at 1% per annum and in units of HK\$1,000,000 each. As at 30 June 2014 and 31 December 2013, the balance of HK\$75,000,000 notes were due but not converted. Such principal monies together with all interest accrued thereon up to maturity, amounting to HK\$78,908,000, is classified as other payables and is repayable on demand.
- Others include accrued staff salaries and welfare, interest payable, deposit received from hotel customers and other temporary receipt.

The fair value of the Group's trade and other payables as at 30 June 2014 equal approximately to the corresponding carrying amounts.

## 16. BANK LOANS

	<b>30 June 2014</b>	31 December 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(audited)
Short-term secured bank loans	<u>101,878</u>	<u>–</u>

As at 30 June 2014, the Group obtained new term loans amounting to HK\$101,878,000. The loans carry fixed interest rate ranging from 2.09% to 2.30% per annum and are repayable within half year. The proceeds were used to finance the investment in the Associate and the Group's daily operation.

The Group's borrowings that are denominated in currencies other than functional currencies of the relevant group entities are set out below:

	<b>30 June 2014</b>	31 December 2013
	<i>US\$'000</i>	<i>US\$'000</i>
	<b>(unaudited)</b>	(audited)
Currency – USD	<u>12,500</u>	<u>–</u>

## 17. SHARE CAPITAL

	<b>Number of shares</b>	<i>HK\$'000</i>
<b>Authorised:</b>		
At 1 January 2013, 30 June 2013 and 1 January 2014 and 30 June 2014, ordinary shares of HK\$0.1 each	<u>3,000,000,000</u>	<u>300,000</u>
<b>Issued and fully paid:</b>		
At 1 January 2013, 30 June 2013 and 1 January 2014 and 30 June 2014, ordinary shares of HK\$0.1 each	<u>1,188,329,142</u>	<u>118,833</u>

**18. PLEDGE OF ASSETS**

Reference to the announcement of the Company dated 5 November 2013 in relation to acquisition of the 98 office units situated at Block 1 of Guangdong-Hongkong Finance & Technology Park (粵港金融科技園), 6 Jinke Road, Guicheng Street, Nanhai District, Foshan City, Guangdong Province, the PRC (the "Property"), for a consideration of RMB199,975,000 (equivalent to approximately HK\$253,169,000), the Group had entered into formal sale and purchase agreement in respect of the Property in December 2013. As at 30 June 2014, as the acquisition of the Property are still subject to complete, the Group has only paid around 50% of RMB100,036,000 (equivalent to approximately HK\$124,889,000) of the consideration in accordance with the sale and purchase agreement.

As at 30 June 2014, certain bank deposits of the Group with a carrying amount of approximately RMB96,252,000 were pledged to bank, and the property with a consideration of approximately RMB199,975,000 which was acquired on 16 September 2013 subject to complete, had underwent the presale mortgage registration procedure as security for the credit facilities granted to the Group (2013: no mortgage borrowings).

**19. OPERATING LEASE ARRANGEMENTS****The Group as lessee**

As at 30 June 2014, the Group had outstanding lease commitments for future minimum lease payments under non-cancellable operating lease in respect of rented premises and plant and machinery, which fall due as follows:

	<b>30 June</b>	31 December
	<b>2014</b>	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(audited)
Within one year	<b>413</b>	1,082
In the second to fifth year inclusive	<u><b>25</b></u>	<u>49</u>
	<u><b>438</b></u>	<u>1,131</u>

19. OPERATING LEASE ARRANGEMENTS *(continued)***The Group as lessor**

As at 30 June 2014, the Group had contracted with tenants for the following future minimum lease payments:

	<b>30 June 2014 HK\$'000 (unaudited)</b>	31 December 2013 HK\$'000 (audited)
Within one year	<b>4,311</b>	4,610
In the second to fifth year inclusive	<b>14,614</b>	14,629
Over fifth year	<b>5,118</b>	11,104
	<b><u>24,043</u></b>	<u>30,343</u>

## 20. CONTINGENT LIABILITIES

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

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

However, as the vendor is not contactable up to the date of this report, the directors decide to reflect this amount as a contingent liability until the liability becomes legal time-barred and could no longer be recouped by the vendor.



**21. CAPITAL COMMITMENT**

	<b>30 June 2014</b>	31 December 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(audited)
Commitments for the acquisition of the property, plant and equipment	87	90
Commitments for the acquisition of the investment properties	<u>125,709</u>	<u>127,117</u>

**22. RELATED PARTY TRANSACTIONS**

During the period from 1 January to 30 June 2014, the Group entered into the following transactions with related key management personnel of the Group:

Compensation of key management personnel of the Group:

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Salary and other short term benefits	2,383	1,648
Post-employment employee benefits	<u>63</u>	<u>46</u>
	<u>2,446</u>	<u>1,694</u>

**23. FAIR VALUE MEASUREMENT**

The fair value of financial asset at fair value through profit or loss is measured using quoted price in active market. Trade and other receivables and trade and other payables are carried at cost or amortised cost which are not materially different from their fair values as at 30 June 2014 and 31 December 2013.

**24. EVENTS AFTER THE END OF THE REPORTING PERIOD**

The special general meeting, which was held on 16 July 2014, passed the resolution by the shareholders in relation to the circular dated 30 June 2014 issued in connection with the acquisition of the entire share capital of Southern Limited at the consideration of HK\$497,400,000 of which HK\$331,168,000 will be satisfied by the issue of 524,000,000 consideration shares at the price of HK\$0.632 per consideration share and HK\$166,232,000 will be satisfied by the issue of the convertible bonds. The transaction has not yet been completed at the date the financial statements are authorised for issue. Details of the acquisition are set out in the Group's circular dated 30 June 2014.