# CHINA INVESTMENTS HOLDINGS LIMITED
# 中國興業控股有限公司

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

## INTERIM RESULTS FOR 2007

### UNAUDITED CONSOLIDATED RESULTS

The Board of Directors (the "Board") of China Investments Holdings Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June, 2007 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT
*For the six months ended 30 June, 2007*

| | | Six months ended | |
|---|---|---|---|
| | | **30.6.2007** | **30.6.2006** |
| | | *HK$'000* | *HK$'000* |
| | *Notes* | *(unaudited)* | *(unaudited)* |
| Turnover | 4 | 226,840 | 174,671 |
| Cost of sales and services | | (168,961) | (145,554) |
| Gross profit | | 57,879 | 29,117 |
| Other income | | 8,229 | 790 |
| Selling and distribution costs | | (248) | (317) |
| Administrative expenses | | (19,277) | (20,015) |
| Finance costs | | (3,429) | (4,203) |
| Profit before taxation | | 43,154 | 5,372 |
| Income tax expense | 5 | (3,098) | (2,230) |
| Profit for the period | 6 | 40,056 | 3,142 |
| Earnings per share | 8 | | |
| Basic | | HK4.05 cents | HK0.34 cents |
| Diluted | | N/A | N/A |

**CONDENSED CONSOLIDATED BALANCE SHEET**

*As at 30 June, 2007*

| | *Note* | **30.6.2007** *HK$'000* *(unaudited)* | **31.12.2006** *HK$'000* *(audited)* |
|---|---|---|---|
| **Non-current Assets** | | | |
| Investment properties | | 7,900 | 37,400 |
| Property, plant and equipment | | 267,840 | 249,869 |
| Land use rights | | 13,560 | 13,323 |
| Goodwill | | 89,880 | 89,880 |
| | | 379,180 | 390,472 |
| **Current Assets** | | | |
| Properties held for sale | | 104,600 | 104,600 |
| Inventories | | 70,493 | 67,841 |
| Trade and other receivables | | 15,856 | 63,840 |
| Financial assets at fair value through profit or loss | | 3 | 3 |
| Bank balances and cash | | 185,306 | 137,415 |
| | | 376,258 | 373,699 |
| **Current Liabilities** | | | |
| Trade and other payables | | 186,686 | 110,754 |
| Provision for loss in litigation | | 38,000 | 38,000 |
| Tax payable | | 6,278 | 12,859 |
| Convertible notes | 9 | — | 196,026 |
| | | 230,964 | 357,639 |
| **Net Current Assets** | | 145,294 | 16,060 |
| | | 524,474 | 406,532 |
| **Capital and Reserves** | | | |
| Share capital | | 118,833 | 91,500 |
| Reserves | | 405,641 | 315,032 |
| | | 524,474 | 406,532 |

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

*For the six months ended 30 June, 2007*

### 1. BASIS OF PREPARATION

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

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

In addition, the Group is currently engaged in certain litigations. The Group has denied and will continue to deny liability and contest against those claims vigorously. Based on the opinion of the Group's legal advisors, the Directors consider that those claims will not have any material adverse impact on the business operations and financial position of the Group.

Accordingly, the condensed financial statements have been prepared on a going concern basis.

### 2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December, 2006.

In the current period, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January, 2007.

| | |
|---|---|
| HKAS 1 (Amendment) | Capital disclosures[1] |
| HKFRS 7 | Financial instruments: Disclosures[1] |
| HK(IFRIC) — Int 7 | Applying the restatement approach under HKAS 29 Financial reporting in hyperinflationary economies[2] |
| HK(IFRIC) — Int 8 | Scope of HKFRS 2[3] |
| HK(IFRIC) — Int 9 | Reassessment of embedded derivatives[4] |
| HK (IFRIC) — Int 10 | Interim financial reporting and impairment[5] |

[1] Effective for annual periods beginning on or after 1 January, 2007

[2] Effective for annual periods beginning on or after 1 March, 2006

[3] Effective for annual periods beginning on or after 1 May, 2006

[4] Effective for annual periods beginning on or after 1 June, 2006

[5] Effective for annual periods beginning on or after 1 November, 2006

The adoption of these new HKFRSs had no material effect on the results or financial position for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

| | |
|---|---|
| HKAS 23 (Revised) | Capital disclosures[1] |
| HKFRS 8 | Operating segments[1] |
| HK (IFRIC) — Int 11 | HKFRS 2 — Group and treasury share transactions[2] |
| HK (IFRIC) — Int 12 | Service concession arrangements[3] |

[1] Effective for annual periods beginning on or after 1 January, 2009

[2] Effective for annual periods beginning on or after 1 March, 2007

[3] Effective for annual periods beginning on or after 1 January, 2008

HK (IFRIC) — Int 12 sets out general principles on recognising and measuring the obligations and related rights under service concession arrangements. The Group will apply this interpretation from 1 January, 2008. The directors of the Company are still not yet in the position to reasonably estimate the impact that may arise on the Group's results and financial position from adoption of this interpretation. The directors of the Company anticipate that the application of the remaining standards or interpretation will have no material impact on the results and the financial position of the Group.

## 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, 2006.

## 4. SEGMENT INFORMATION

| | Six months ended 30 June 2007 Turnover HK$'000 (unaudited) | 2007 Segment results HK$'000 (unaudited) | 2006 Turnover HK$'000 (unaudited) | 2006 Segment results HK$'000 (unaudited) |
|---|---|---|---|---|
| **By business segments:** | | | | |
| Fiberboard and veneer | 213,578 | 44,689 | 164,070 | 18,431 |
| Hotel operations | 12,448 | 3,119 | 9,868 | (2,169) |
| Property investment | 814 | 597 | 733 | 504 |
| | 226,840 | 48,405 | 174,671 | 16,766 |
| Interest income | | 2,370 | | 534 |
| Unrealised holding gain on financial assets at fair value through profit or loss | | — | | 2 |
| Unallocated corporate expenses | | (4,192) | | (7,727) |
| Finance costs | | (3,429) | | (4,203) |
| Profit before taxation | | 43,154 | | 5,372 |
| Income tax expenses | | (3,098) | | (2,230) |
| Profit for the period | | 40,056 | | 3,142 |
| **By geographical segments:** | | | | |
| The people's Republic of China, other than Hong Kong | 226,284 | 47,929 | 174,148 | 16,452 |
| Hong Kong | 556 | 476 | 523 | 314 |
| | 226,840 | 48,405 | 174,671 | 16,766 |
| Interest income | | 2,370 | | 534 |
| Unrealised holding gain on financial assets at fair value through profit or loss | | — | | 2 |
| Unallocated corporate expenses | | (4,192) | | (7,727) |
| Finance costs | | (3,429) | | (4,203) |
| Profit before taxation | | 43,154 | | 5,372 |
| Income tax expenses | | (3,098) | | (2,230) |
| Profit for the period | | 40,056 | | 3,142 |

## 5. TAXATION

| | Six months ended 30.6.2007 *HK$'000* | 30.6.2006 *HK$'000* |
|---|---|---|
| The charges comprises: | | |
| Current tax — Provision for PRC enterprises income tax | 3,098 | 2,230 |

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

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

One of the Group's PRC subsidiary was in tax holiday and exempted from PRC enterprise income tax for the first two years starting from its first profit-making year followed by a 50% reduction for the next three years.

The tax credit for the period can be reconciled to the profit before taxation per the consolidated income statement as follows:

| | Six months ended 30.6.2007 *HK$'000* | 30.6.2006 *HK$'000* |
|---|---|---|
| Profit before taxation | 43,154 | 5,372 |
| Tax at the domestic income tax rates applicable to profit in the respective country | 15,197 | 3,511 |
| Tax effect of non deductible expenses | 1,666 | 742 |
| Tax effect of non taxable revenue | (1,429) | (56) |
| Tax effect of tax deductible not recongised | (78) | (113) |
| Effect of tax exemptions granted to PRC subsidiaries | (12,258) | (3,902) |
| Tax effect of tax loss for the year | — | 2,048 |
| Tax effect for the year | 3,098 | 2,230 |

At the balance sheet date, the Group has unused estimated tax losses of HK$14,412,000 (2006: HK$14,412,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the estimated tax losses due to the unpredictability of future profit streams.

The revaluation surplus for the period arising on the revaluation of properties of the Group does not constitute a timing difference. Therefore, deferred tax has not been recognised in respect of the valuation surplus relating to properties.

## 6. PROFIT FOR THE PERIOD

Profit from operation has been arrived at after charging/(crediting):

| | Six months ended 30.6.2007 HK$'000 (unaudited) | Six months ended 30.6.2006 HK$'000 (unaudited) |
|---|---|---|
| Staff cost | 14,686 | 12,796 |
| Retirement benefit scheme contributions | 908 | 682 |
| Depreciation of property, plant and equipment | 7,357 | 6,913 |
| Amortization of land use right | 154 | 273 |
| Unrealised holding gain on financial assets at fair value through profit or loss | — | (2) |

## 7. DIVIDENDS

The Board does not declare any interim dividend for the six months ended 30 June, 2006 (2006: Nil).

## 8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit of HK$40,056,000 (30 June, 2006: profit of HK$3,142,000) and weighted average number of ordinary shares of 988,975,761 (30 June, 2006: 914,995,817 ordinary shares) in issue during the period.

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

No diluted profit per share had been presented for the period ended 30 June 2006 because the exercise of conversion of the Company's outstanding convertible notes would result in an increase in earnings per share.

## 9. CONVERTIBLE 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"), bear interest at 1% per annum and in units of HK$1,000,000 each. The Notes were convertible at the discretion of the holders of the Notes, at any time upon the expiry of 6 months from the date of issue of the Notes up to, and including, its Maturity Date in whole or in part into shares of HK$0.10 each in the Company at an initial conversion price of HK$0.27 per share, subject to adjustment.

During the period, Notes with an aggregate amount of HK$73,800,000 was converted into the ordinary shares of the Company. Accordingly, 273,333,325 ordinary shares were issued.

The Company repaid the principal moneys outstanding under the Notes which were not converted into shares of the Company to the holders of the Notes on the Maturity Date together with all interest accrued thereon up to, and including, the Maturity Date should the Notes.

Convertible notes issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition at fair value. The fair value of the liability component is determined using the cash flows discounted at a rate based on the borrowing rate of 4.5%.

The movement of the liability component of the Notes for the period is set out below:

| | **30.6.2007** | **31.12.2006** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | *(unaudited)* | *(audited)* |
| Liability component | | |
| Balance brought forwards | 196,026 | 189,487 |
| Interest charge | 3,429 | 8,527 |
| Interest paid | (674) | (1,988) |
| Conversion during the period | (73,781) | — |
| Repaid during the period | (125,000) | — |
| Balance carried forwards | — | 196,026 |

## RESULTS

For the six months ended 30 June, 2007, the Group has recorded a turnover of HK$226,840,000, representing a growth of 30% over the same period last year. The Group's profit amounted to HK$40,056,000, representing a significant growth of 1,175% over the same period last year.

## BUSINESS REVIEW

### Fiberboard Operations

Through staff trainings and incentives, renovations and innovations to production process, acquisition of leasehold equipment, and appropriately adjusting product prices, the Group has enhanced output, reduced material consumption and increased revenue. Under the continued increase in the prices of raw materials, the fiberboard operations could still record satisfactory results, which has been very encouraging. For the period ended 30 June, 2007, total output of fiberboards was 168,000 cubic meters, and total sales was 161,000 cubic meters, representing increase of 10% and 5% over the same period of last year respectively. Total sales amounted to HK$213,578,000, representing an increase of 30% over the same period of last year, operating profit substantially increased by 242% to HK$44,689,000.

### Hotel Operations

Competition in the hotel market in Guilin was still keen, however, the hotel management still upholded the operating concept of "Human orientation and brandname as the core", and by leveraging on a stable and high quality management team and sales team, the hotel actively explored the market, and continued to enhance service quality, and successfully established a good brandname, and increased economic efficiency. Average occupancy rate of hotels in first half year was 70%, representing an increase of 13% over the same period last year, while turnover by 26% to HK$12,448,000, which has turned from loss to profit, and an operating profit of HK$3,119,000 was recorded.

### Property Investment

The Group's overall rental incomes in the first half year amounted to HK$814,000, representing an increase of 11% over the same period last year. As at 15 May, 2007, the Group has successfully sold the Kiu Sun Factory Building in Kwun Tong, Hong Kong, and received HK$30,000,000 in cash.

### Financial Situation

As at 30 June, 2007, the Group had total assets of HK$755,438,000 (31 December, 2006: HK$764,171,000) and no bank loans or other long-term debts (31 December, 2006: bank loans and total convertible note liabilities of nil and HK$196,026,000 respectively). Net assets amounted to HK$524,474,000 (31 December, 2006: HK$406,532,000). The gearing ratio was 0 (31 December, 2006: 25.7%). Net assets per Share was HK$44.14 cents (31 December, 2006: HK$44.43 cents).

The Group's net current assets amounted to HK$145,294,000 (31 December, 2006: HK$16,060,000), current ratio (being current assets divided by current liabilities) was approximately 1.63 times (31 December, 2006: 1.04 times), while bank deposits and cash amounted to approximately HK$185,306,000 (31 December, 2006: HK$137,415,000), which is sufficient to meet the capital requirements for the Group's future operations and developments.

During the period, convertible notes with an aggregate amount HK$73,800,000 was converted into the ordinary shares of the Company. HK$50,000,000 of the principal moneys was repaid and the outstanding HK$75,000,000 was recorded in the current liabilities. Details of the convertible notes was set out in note 9 of the Notes to the condensed Financial Statements.

## FOREIGN EXCHANGE EXPLOSURE

The Group mainly earned revenue and incurred cost in Hong Kong Dollar and Renminbi. The directors consider that the Group's foreign exchange risks are minimal.

## OUTLOOK

The PRC economy and real estate market are booming, and are favorable for the development of fiberboard operations. On the basis of the existing solid foundation, the Company will expedite in explorations, and make the best efforts to secure better returns to shareholders.

## INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June, 2007 (2006: nil).

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

During the six months ended 30 June, 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed shares of the Company.

## EMPLOYEES

The total number of employees of the Group is approximately 1,135.

The remuneration of each employee of the Group is determined on the basis of his or her responsibility and performance. The Group provides education allowances to the employees.

## CORPORATE GOVERNANCE

The Company placed great emphasis in corporate governance, and reviewed and strengthened measures in corporate governance from time to time. The Company has adopted all the code provisions under the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules as its own code on corporate governance practices. The Company has complied with all the code provisions under the Code during the accounting period covered within this announcement.

## 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 directors. On specific enquiries made, all directors have confirmed that, in respect of the six months ended 30 June, 2007, they have complied with the required standard as set out in the Model Code.

## AUDIT COMMITTEE

The audit committee comprising the three independent non-executive Directors of the Company has reviewed with the management the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters, including review of the unaudited interim results for the six months ended 30 June, 2007.

By Order of the Board
**Leung Siu Fai**
*Chairman*

Hong Kong, 13 September, 2007

*As at the date of this announcement, the board of directors of the Company consists of four executive directors, Mr. LEUNG Siu Fai (Chairman), Mr. YOU Guang Wu (Vice Chairman), Mr. KAM Hung Chung (Managing Director) and Mr. WANG Jin Yuan and three independent non-executive directors, Mr. CHAN Kwok Wai, Mr. CHEN Da Cheng and Mr. DENG Hong Ping.*