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

(Incorporated in Bermuda with limited liability)

(Stock Code: 132)

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

AUDITED CONSOLIDATED RESULTS

The Board of Directors (the "Directors") of China Investments Holdings Limited (the "Company") announces that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011 as follows:

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

* *For identification purposes only*

	Notes	**2011**	2010
		HK	*HK*
			(Restated)
(Loss)/earnings per share	*8*		
From continuing and discontinued operations			
Basic		**(5.13 cents)**	1.76 cents
Diluted		**N/A**	N/A
From continuing operations			
Basic		**0.16 cents**	(0.32 cents)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Investment properties		**11,801**	11,801
Property, plant and equipment		**111,669**	244,943
Land use rights		**–**	53,206
Goodwill		**–**	89,880
		123,470	399,830
Current assets			
Properties held for sale		**63,429**	63,429
Inventories		**1,927**	118,740
Trade and other receivables	*9*	**3,997**	25,605
Financial assets at fair value through profit or loss		**1**	2
Bank balances and cash		**62,708**	114,036
		132,062	321,812
Assets classified as held for sale	*10*	**381,207**	–
		513,269	321,812
Current liabilities			
Trade and other payables	*11*	**92,710**	184,475
Tax payable		**2,087**	1,627
		94,797	186,102
Liabilities directly associated with assets classified as held for sale	*10*	**64,917**	–
		159,714	186,102
Net current assets		**353,555**	135,710
Total assets less current liabilities		**477,025**	535,540
Capital and reserves			
Share capital		**118,833**	118,833
Reserves		**358,192**	416,707
Equity attributable to owners of the Company		**477,025**	535,540

Notes:

1. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("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 (the "Stock Exchange") and by the Hong Kong Companies Ordinance.

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 Certificated Public Accountants ("HKICPA"), which are or have become effective for the Group's financial year beginning on 1 January 2011.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (Revised in 2008), HKFRS 7, HKAS 1 and HKAS 28
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosure for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendment)	Classification of Rights Issues
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

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

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

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

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

3. TURNOVER

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

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

Fibreboard operations was discontinued in the current year. The segment information reported on this note does not include any amounts for these discontinued operations, which are described in more detail in note 7.

Segment information about these continuing operations is presented below:

2011

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

SEGMENTS ASSETS AND LIABILITIES

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

Other information

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

2010 (Restated)

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

SEGMENTS ASSETS AND LIABILITIES

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

Other information

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

Geographical segments

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

Property investment operations 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:

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

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

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

4. OTHER OPERATING INCOME

Other operating income included the following items:

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

5. INCOME TAX EXPENSE

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

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

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

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

7 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 Forshan 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 operations at the landed property (including land use rights and the buildings and structures thereon) situated at Foshan City that is currently leased to Kang Sheng and Jia Shun ("the property") before 31 December 2011, with a view to reducing the emission of pollutants and improving the environment in the region.

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

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

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

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

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

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

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

Cash flows from discontinued operations

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

8. (LOSS)/EARNINGS PER SHARE

From continuing and discontinued operations

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

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

From continued operations

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

(Loss)/earning figures are calculated as follows:

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

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

From discontinued operations

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

9. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

10. ASSETS CLASSIFIED AS HELD FOR SALE

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

Notes:

1) As described in note 7, the fibreboard business of the Company is ceased on 20 December 2011. The major classes of assets and liabilities of the fibreboard business at the end of the reporting period are as follows:

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

11. TRADE AND OTHER PAYABLES

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

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

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

On 9 May 2002, the Group issued HK$230,000,000 convertible notes (the "Notes") which were due on 9 May 2007 (the "Maturity Date"), bearing interest at 1% per annum and in units of HK$1,000,000 each. As at 31 December 2011 and 2010, the balance of HK$75,000,000 notes were due but not converted. Such principal monies together with all interest accrued thereon up to maturity, amounting to HK$3,908,000, was reclassified as other payables and become repayable on demand.

12. COMMITMENTS

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

DIVIDEND

The Directors do not recommend payment of a dividend for the year (2010: Nil).

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

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

CORPORATE GOVERNANCE

The Company puts great emphasis on corporate governance which is reviewed and strengthened on a continued basis. The Company has adopted all the code provisions under the "Code on Corporate Governance Practice" as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as its own code on corporate governance practice. For the year ended 31 December 2011, the Company has complied with all code provisions under the Code.

The audit committee comprising the three independent non-executive directors of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including a general review of the audited consolidated financial statements for the year ended 31 December 2011.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CHAIRMAN'S STATEMENT

Business Review

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

Fibreboard Business

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

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

Hotel Business

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

Property Investment

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

Financial Position and analysis

As at 31 December 2011, the Group had total assets of HK$636,739,000 (31 December 2010: HK$721,642,000). The Group had no bank loan and any other long-term debts (31 December 2010: Nil). Net assets was HK$477,025,000 (31 December 2010: HK$535,540,000). Gearing ratio (being bank loans and long-term debts divided by total assets) was 0% (31 December 2010: 0%). Net assets per share amounted to HK40.14 cents (31 December 2010: HK45.07cents).

The Group's net current assets amounted to HK$353,555,000 (31 December 2010: HK$135,710,000). Current ratio (being current assets divided by current liabilities) was approximately 3.21 times (31 December 2010: 1.73 times), while bank balances and cash amounted to HK$117,009,000 including bank balance and cash amounting to 54,301,000 which is grouped in assets classified as held for sale. (31 December 2010: HK$114,035,808). Together with the compensation amounting to not less than RMB300,000,000 to be received pursuant to the Compensation Memorandum entered into with the Foshan Naihai Government, we expect there will be sufficient funds to meet the working capital requirements for the Group's operations in the foreseeable future.

Pledge of Assets

The net carrying value of land use rights of HK$14,923,000 (31 December 2010: HK$14,237,000) has been pledged for application of standby bank facilities to provide fund for future development (31 December 2010: no mortgage borrowings).

Foreign Exchange Exposure

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

Outlook

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

EMPLOYEES

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

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

Hong Kong, 22 March 2012

As at the date of this announcement, the Board consists of three executive directors, Mr. YOU Guang Wu (Chairman), Mr. SU Wenzhao (Managing Director) and Mr. WU Yongqing (Deputy Managing Director) and three independent non-executive directors, Mr. CHAN Kwok Wai, Mr. CHEN Da Cheng and Mr. DENG Hong Ping.