



# CHINA PROPERTIES INVESTMENT HOLDINGS LIMITED

## 中國置業投資控股有限公司\*

(incorporated in Bermuda with limited liability)

(Stock Code: 736)

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

The board (the “board”) of directors (the “directors”) of China Properties Investment Holdings Limited (the “company”) hereby announces the unaudited consolidated interim results of the company and its subsidiaries (together the “group”) for the six months ended 30 September 2008, together with the comparative figures of the corresponding period last year as follows:

#### CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

		<b>Six months ended 30 September</b>	
		<b>2008</b>	<b>2007</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
			<b>(Restated)</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	4	13,112	6,124
Direct outgoings		<u>(1,169)</u>	<u>(700)</u>
		<b>11,943</b>	5,424
Valuation (deficit)/gains of investment properties		<b>(163,456)</b>	5,589
Fair value adjustments for trading securities		<b>(113)</b>	–
Other revenue	4	<b>289</b>	418
Administrative expenses		<u>(7,554)</u>	<u>(10,629)</u>
(Loss)/profit from operations		<b>(158,891)</b>	802
Finance costs	5(a)	<u>(4,784)</u>	<u>(1,420)</u>
Loss before taxation	5	<b>(163,675)</b>	(618)
Income tax	6	<u>43,138</u>	<u>(1,844)</u>
Loss for the period		<u><b>(120,537)</b></u>	<u>(2,462)</u>
<b>Attributable to:</b>			
Equity shareholders of the company		<u><b>(120,537)</b></u>	<u>(2,462)</u>
<b>Loss per share</b>			
– Basic	7	<u><b>(6.83) cents</b></u>	<u>(0.28) cents</u>
– Diluted	7	<u>–</u>	<u>–</u>

**CONDENSED CONSOLIDATED BALANCE SHEET**

AS AT 30 SEPTEMBER 2008

		<b>30 September 2008 (Unaudited) HK\$'000</b>	31 March 2008 (Audited) HK\$'000
	<i>Note</i>		
<b>Non-current assets</b>			
Property, plant and equipment		1,331	1,498
Investment properties		<u>307,277</u>	<u>470,733</u>
		<u>308,608</u>	<u>472,231</u>
<b>Current assets</b>			
Trade and other receivables	8	25,712	19,997
Amount due from a director		–	15
Trading securities		79	192
Cash and cash equivalents		<u>13,721</u>	<u>24,993</u>
		<u>39,512</u>	<u>45,197</u>
<b>Current liabilities</b>			
Other payables and accruals		4,352	4,793
Interest-bearing borrowings		<u>5,676</u>	<u>5,025</u>
		<u>10,028</u>	<u>9,818</u>
<b>Net current assets</b>		<u>29,484</u>	<u>35,379</u>
<b>Total assets less current liabilities</b>		<u>338,092</u>	<u>507,610</u>
<b>Non-current liabilities</b>			
Interest-bearing borrowings		99,889	104,397
Deferred tax liabilities	6	<u>18,358</u>	<u>60,839</u>
		<u>118,247</u>	<u>165,236</u>
<b>NET ASSETS</b>		<u><u>219,845</u></u>	<u><u>342,374</u></u>
<b>CAPITAL AND RESERVES</b>			
Share capital		17,637	17,637
Reserves		<u>202,208</u>	<u>324,737</u>
<b>TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY</b>		<u><u>219,845</u></u>	<u><u>342,374</u></u>

## 1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The condensed consolidated financial statements for the six months ended 30 September 2008 have been prepared in accordance with the applicable disclosure provision of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The preparation of the condensed consolidated financial statements is in conformity with HKAS 34 requiring management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The preparation of the condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 March 2008, except for the adoption of the new Hong Kong Financial Reporting Standards (“HKFRSs”) and Hong Kong Accounting Standards (“HKASs”) as disclosed in note 2 below. The condensed consolidated financial statements do not include all the information and disclosures required for an annual financial statements, and should be read in conjunction with the financial statements of the group for the year ended 31 March 2008.

## 2. CHANGES IN ACCOUNTING POLICIES

### (a) Impact of new and amended HKFRSs and HKASs

The group has adopted, for the first time, the following new interpretations which are effective for the group’s financial year beginning on 1 April 2008.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Adoption of the above new interpretations does not have significant impact on the group’s operating results or financial position.

## (b) Impact of issued but not yet effective HKFRSs and HKASs

The group has not applied the following new and revised HKFRSs and HKASs, that have been issued but are not yet effective, in these interim financial statements:

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Cost <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKAS 39 (Amendments)	Eligible hedged items <sup>5</sup>
HKFRS 1 & HKAS 27 (Amendments)	Cost of investment in a subsidiary, jointly controlled entities or associates <sup>1</sup>
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – Int 13	Customer Loyalty Programmes <sup>3</sup>
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate <sup>1</sup>
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation <sup>4</sup>

<sup>1</sup> Effect for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effect for annual periods beginning on or after 1 January 2008

<sup>3</sup> Effect for annual periods beginning on or after 1 July 2008

<sup>4</sup> Effect for annual periods beginning on or after 1 October 2008

<sup>5</sup> Effect for annual periods beginning on or after 1 July 2009

The group is in the process of making an assessment of what the impact of these new amendments, new standards and new interpretation is expected to be in the period of initial application. So far, it has concluded that the adoption of the above policies may result in new or amended disclosures, they are unlikely to have a significant impact on the group's results of operations and financial position.

## 3. SEGMENT INFORMATION

Segment information is presented in respect of the group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the group's internal financial reporting.

### Business segments

The group conducts its business within one business segment, i.e. the properties investment segment, which comprises rental of investment properties and property management services. Accordingly, no business segment information is presented.

### Geographical segments

All segment revenue, assets, liabilities and capital expenditure are located in the mainland China and therefore no geographical segments are presented.

#### 4. TURNOVER AND OTHER REVENUE

Turnover represents gross rental income and property management services income after elimination of all intra-group transactions.

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2008</b>	2007
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		
Gross rental income	11,233	6,124
Property management services income	1,879	–
	<u>13,112</u>	<u>6,124</u>
Other revenue	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	48	351
Total interest income on financial assets not at fair value through profit or loss	48	351
Sundry income	241	67
	<u>289</u>	<u>418</u>

#### 5. LOSS BEFORE TAXATION

The group's loss before taxation is arrived at after charging:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2008</b>	2007
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>(a) Finance cost</b>		
Interest on bank loans wholly repayable over five years	<u>4,784</u>	<u>1,420</u>
<b>(b) Other items</b>		
Staff costs (including directors remuneration)		
– Wages, salaries and other benefits	2,742	2,431
– Pensions scheme contribution	45	53
	2,787	2,484
Depreciation	198	124
Minimum lease payments under operating leases for land and buildings (including directors' quarter)	928	1,917
Auditor's remuneration	243	310
Valuation deficit of investment properties	163,456	–
Fair value adjustments for trading securities	<u>113</u>	<u>–</u>

## 6. INCOME TAX

(a) Income tax in the condensed consolidated income statement represents:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2008</b>	2007
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Deferred tax		
Reversal/(charge) for the period	<u>43,138</u>	<u>(1,844)</u>
	<b><u>43,138</u></b>	<b><u>(1,844)</u></b>

*Note:*

### (i) Hong Kong profits tax

Hong Kong profits tax is not provided for the period as the group did not have profits assessable to Hong Kong profits tax for the period (2007: HK\$ nil).

### (ii) Deferred taxation

The amount represented reversal of deferred tax arising from the fair value adjustments of investment properties held by the subsidiary in mainland China during the period is HK\$43,138,000 (2007: Deferred tax charged for HK\$1,844,000).

(b) Movements of deferred tax liabilities in the condensed consolidated balance sheet are as follows:

	<b>At</b>	<b>At</b>
	<b>30 September</b>	31 March
	<b>2008</b>	2008
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Balance brought forward	<b>60,839</b>	60,515
Deferred tax charged to the income statement	<b>(43,138)</b>	(6,962)
Exchange alignment	<u>657</u>	<u>7,286</u>
	<b><u>18,358</u></b>	<b><u>60,839</u></b>

## 7. LOSS PER SHARE

The calculation of basic loss per share is based on the following data:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2008</b>	2007
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Loss for the purpose of basic loss per shares attributable to equity shareholders of the company	<u><b>(120,537)</b></u>	<u>(2,462)</u>
	<i>Number of ordinary shares</i>	<i>Number of ordinary shares</i>
Weighted average number of ordinary shares for basic loss per share	<b>1,763,698,191</b>	892,319,607
Deemed issue of ordinary shares under the company's share option	<u>N/A</u>	<u>N/A</u>
Weighted average number of ordinary shares at 30 September for diluted loss per share	<u><b>N/A</b></u>	<u>N/A</u>

Diluted loss per share for the period ended 30 September 2008 and 2007 have not been disclosed as the impact of the potential ordinary shares was anti-dilutive.

## 8. TRADE AND OTHER RECEIVABLES

An aged analysis of the rental receivables as at the balance sheet date, based on invoice date and net of allowance for doubtful debts, is as follows:

	<b>At</b>	At
	<b>30 September</b>	31 March
	<b>2008</b>	2008
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Within 3 months past due	<b>5,218</b>	1,537
More than 3 months but less than 6 months past due	<b>2,289</b>	580
More than 6 months past due	<u><b>38</b></u>	<u>—</u>
Trade receivables, net	<b>7,545</b>	2,117
Prepayment, deposits and other receivables	<u><b>18,167</b></u>	<u>17,880</u>
	<u><b>25,712</b></u>	<u>19,997</u>

## **INTERIM DIVIDEND**

The directors do not recommend the payment of any interim dividends for the six months ended 30 September 2008 (2007: Nil). Accordingly, no closure of register of members of the company is proposed.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business and Financial Review**

The group continued to focus on the properties investment business for the period under review. As at 30 September 2008, the aggregate gross floor area of the investment properties being held by the group was approximately 10,736 square meters, all of which were leased to third parties under operating leases with lease terms ranging from one years to ten years.

For the period under review, the group's turnover was approximately HK\$13.1 million (2007: approximately HK\$6.1 million), representing an increase of approximately 114% compared with the same period last year. The increase in turnover was mainly due to the increase in rental income through acquisition of investment properties in Shanghai during the second half of 2007. The unaudited net loss for the period under review was approximately HK\$120.5 million and the loss per share for was HK6.83 cents (2007: HK0.28 cents). The loss for the period was mainly attributable to the unrealized loss on fair value change of the group's investment properties. The directors believe that such fair value change was resulting from the macro economic austerity policies of the mainland China as well as the impact of the global financial crisis. However, there was no cash flow impact on the group for such loss. Meanwhile, the corresponding reduction in accumulated deferred tax provision for the investment properties of the group amounted to approximately HK\$43.1 million for the period which helped to relieve the overall losses of the group.

The administrative expenses of the group for the period amounted to approximately HK\$7.5 million, representing a decrease of approximately 29% compared with the same period last year. The finance cost of the group amounted to approximately HK\$4.8 million which was incurred for the bank loans under the security of two investment properties in Shanghai.

### **Liquidity and Financial Resources**

As at 30 September 2008, the group's net current assets were approximately HK\$29.5 million (at 31 March 2008: approximately HK\$35.4 million), including cash and bank balance of approximately HK\$13.7 million (at 31 March 2008: approximately HK\$25 million).

The group had bank borrowings of approximately HK\$105.6 million as at 30 September 2008 (at 31 March 2008: approximately HK\$109.4 million). All of the borrowings were bank loans under security, of which 5.4% were due within one year from balance sheet date, 5.4% were due more than one year but not exceeding two years, 26.9% were due more than two years but not exceeding five years and 62.3% were due more than five years. The gearing ratio, defined as the percentage of total bank borrowings to total equity, was approximately 48% (at 31 March 2008: 32%).



## **Investment Position**

The group did not have any significant investment position in stocks, bonds and other financial derivatives as at 30 September 2008.

## **Foreign Exchange Exposure**

As most of the group's assets and liabilities are denominated in Renminbi and the liabilities of the group are well covered by its assets, the group does not have any significant exposure to foreign exchange fluctuation. During the period under review, the group did not use any financial instruments for hedging purposes.

## **Capital Structure**

There was no changes in capital structure of the company for the period ended 30 September 2008.

## **Charges on group's Assets**

As at 30 September 2008, the group's investment properties with a value of approximately HK\$191.7 million were pledged to secure general banking facilities granted to Shanghai Xiang Chen Hang Place The Industry Co. Limited, the wholly-owned subsidiary of the group.

## **Contingent Liabilities**

As at 30 September 2008, the group does not have any material contingent liability (2007: HK\$ nil).

## **Acquisition and Disposal of Subsidiaries**

There was no acquisition and disposal of subsidiaries and affiliated companies of the group during the period ended 30 September 2008.

## **Employees**

As at 30 September 2008, the group had 36 employees. The remuneration was determined with reference to statutory minimum wages, market terms and the performance, qualification and experience of individual employees. The group provides contributory provident fund and insurance scheme to the employees. Share option scheme and incentive schemes are adopted to encourage personal commitment of employees.

## **Outlook**

The prolonged economic austerity measures of the mainland China during the first half of 2008 and the volatility of the global financial market adversely affected the property sector in the mainland China. In addition, Shanghai is now facing the problem of oversupply in commercial properties. In accordance with the recently published property research, Shanghai will take at least 4 years to fully digest the existing vacant commercial properties as well as the new supplies in foreseeable future. As the industry outlook remains weak, it is not too surprising with dramatic downturn of China's property market.

The global financial crisis has continued to shake global markets and the global economy is likely to slip into recession. We believe it will lead to a slowdown in mainland China's economic growth in the years to come. As the operations of the group are primarily located in the mainland China, it will have adverse impact on the financial performance of the group inevitably. The group will adopt conservative strategies in its business development in short-term and will also exercise stringent cost control during the depressing time.

Looking ahead, we are still optimism for the long term economic outlook of mainland China. The group will continue to look for any profitable investment opportunities even in any other steam in the long run.

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

Neither the company, nor any of its subsidiaries purchased, redeemed or sold any of the company's listed securities during the period ended 30 September 2008.

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

The company has adopted the Model Code for Securities Transactions by directors (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors. Having made specific enquiry with the directors, all directors confirmed that they had complied with the required standards as set out in the Model Code throughout the period.

## **CORPORATE GOVERNANCE**

The company has complied with the code provisions as set out in the Code of Corporate Governance Practice in Appendix 14 of the Listing Rules throughout the period ended 30 September 2008, except for the deviation from the requirement of code provision A.2.1 as follow.

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The Chairman of the company also acted as chief executive officer of the company during the period under review, which was deviated from the requirement of the code provision A.2.1. The board considered that this structure was conducive with strong and consistent leadership, enabling the company to respond promptly and efficiently.

## **AUDIT COMMITTEE**

During the period under review, the audit committee of the company (the “Audit Committee”) comprises three independent non-executive Directors, namely Ms. Chan Mei Bo, Mabel, Mr. Yeung Yuen Hei and Mr. Wang Dong. The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to “A Guide for The Formation of An Audit Committee” published by the HKICPA. The principal activities of the Audit Committee include the review and supervision of the group’s financial reporting process and internal controls.

The Audit Committee has regularly reviewed with the management the accounting principles and policies adopted by the group. The results of the group for the period ended 30 September 2008 was reviewed by the Audit Committee.

By Order of the Board  
**China Properties Investment Holdings Limited**  
**Zhao Qing Ji**  
*Chairman*

Hong Kong, 16 December 2008

*As at the date of this announcement, Mr. Zhao Qing Ji and Mr. Au Tat On are the executive Directors; and Mr. Wang Dong, Mr. Yeung Yuen Hei and Ms. Chan Mei Bo, Mabel are the independent non-executive Directors.*

\* *For identification purpose only*