



中國置業投資控股有限公司\*  
CHINA PROPERTIES  
INVESTMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)  
Stock Code : 736

INTERIM REPORT 2010

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### *Executive Directors*

Xu Dong (*Chairman*)  
Au Tat On

#### *Non-Executive Director*

Yu Wai Fong

#### *Independent Non-Executive Directors*

Lam Man Yui  
Lai Wai Yin, Wilson  
Cao Jie Min

### COMPANY SECRETARY

Yip Yuk Sing

### AUTHORISED REPRESENTATIVES

Yu Wai Fong  
Yip Yuk Sing

### AUDITOR

CCIF CPA Limited

### PRINCIPAL BANKERS

ICBC (Asia)  
Wing Lung Bank

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 2001, 20/F  
Lippo Centre, Tower Two  
89 Queensway Road  
Hong Kong

### HONG KONG SHARE REGISTRAR

Tricor Secretaries Limited  
26/F, Tesbury Centre  
28 Queen's Road East  
Hong Kong

### WEBSITE

<http://www.736.com.hk>

### LEGAL ADVISER

Michael Li & Co

### STOCK CODE

736

The board (the “board”) of directors (the “directors”) of China Properties Investment Holdings Limited (the “company”) hereby announces the unaudited condensed consolidated financial statements of the company and its subsidiaries (together the “group”) for the six months ended 30 September 2010, together with the comparative figures of the corresponding period last year as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	Notes	Six months ended 30 September 2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
Turnover	6	1,646	3,391
Cost of sales		(1,262)	(1,173)
		384	2,218
Loss on disposal of investment properties		–	(10,362)
Valuation gains on investment properties		8,515	8,146
Fair value gains/(losses) on convertible bonds		1,325	(13,395)
Other revenue	7	83	21
Administrative expenses		(12,884)	(11,365)
Loss from operations		(2,577)	(24,737)
Finance costs	8(a)	(1,930)	(3,210)
Loss before taxation	8	(4,507)	(27,947)
Income tax	9(a)	(2,129)	(1,999)
Loss for the period		(6,636)	(29,946)
<b>Attributable to:</b>			
Owners of the company		(6,580)	(29,946)
Minority interest		(56)	–
Loss for the period		(6,636)	(29,946)
<b>Loss per share</b>	11		
– Basic (RMB)		(0.24)	(3.05)
– Diluted (RMB)		(0.24)	(3.05)

The notes on pages 7 to 33 form part of this condensed consolidated financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2010</b>	2009
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
Loss for the period	<b>(6,636)</b>	(29,946)
Other comprehensive (losses)/income for the period (after tax and reclassification adjustments)		
Exchange differences on translation of financial statements of the overseas subsidiaries	<u><b>(2,355)</b></u>	<u>2,546</u>
Total comprehensive losses for the period	<u><b>(8,991)</b></u>	<u>(27,400)</u>
<b>Attributable to:</b>		
Owners of the company	<b>(8,935)</b>	(27,400)
Minority interest	<u><b>(56)</b></u>	<u>–</u>
Total comprehensive losses for the period	<u><b>(8,991)</b></u>	<u>(27,400)</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT 30 SEPTEMBER 2010

	<i>Notes</i>	<b>30/9/2010 (Unaudited) RMB'000</b>	31/3/2010 (Audited) RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	12	5,361	3,711
Investment properties	13	194,633	186,117
Intangible assets	14	499,398	499,398
		<u>699,392</u>	<u>689,226</u>
<b>Current assets</b>			
Trade and other receivables	15	148,947	3,434
Trading securities		110	112
Cash and cash equivalents	16	17,044	73,784
		<u>166,101</u>	<u>77,330</u>
<b>Current liabilities</b>			
Other payables		13,126	15,322
Interest-bearing borrowings		3,000	3,000
		<u>16,126</u>	<u>18,322</u>
<b>Net current assets</b>			
		<u>149,975</u>	<u>59,008</u>
<b>Total assets less current liabilities</b>			
		<u>849,367</u>	<u>748,234</u>
<b>Non-current liabilities</b>			
Interest-bearing borrowings		54,000	55,500
Deferred tax liabilities	9(b)	10,216	8,087
Convertible bonds	17	22,560	66,428
		<u>86,776</u>	<u>130,015</u>
<b>NET ASSETS</b>			
		<u>762,591</u>	<u>618,219</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the company</b>			
Share capital	18	96,517	40,406
Reserves		420,657	332,340
		<u>517,174</u>	<u>372,746</u>
Minority interest		<u>245,417</u>	<u>245,473</u>
<b>Total equity</b>			
		<u>762,591</u>	<u>618,219</u>

The notes on pages 7 to 33 form part of this condensed consolidated financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	Share capital	Share premium	Special reserve	Employee Contributed surplus reserve	share-based compensation reserve	Exchange fluctuation reserve	(Accumulated losses)/ retained profits	Total	Minority interest	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 April 2010	40,406	454,940	(9,988)	18,689	16,632	31,669	(179,602)	372,746	245,473	618,219
Placing and subscription of new shares	41,492	74,360	-	-	-	-	-	115,852	-	115,852
Share issues expenses	-	(4,249)	-	-	-	-	-	(4,249)	-	(4,249)
Conversion of convertible bonds	14,619	27,141	-	-	-	-	-	41,760	-	41,760
Total comprehensive loss for the period	-	-	-	-	-	(2,355)	(6,580)	(8,935)	(56)	(8,991)
<b>At 30 September 2010 (Unaudited)</b>	<b>96,517</b>	<b>552,192</b>	<b>(9,988)</b>	<b>18,689</b>	<b>16,632</b>	<b>29,314</b>	<b>(186,182)</b>	<b>517,174</b>	<b>245,417</b>	<b>762,591</b>
At 1 April 2009	15,796	206,307	(9,988)	18,689	33,264	30,524	(177,055)	117,537	-	117,537
Acquisition of subsidiary	-	-	-	-	-	-	-	-	242,846	242,846
Placing and subscription of new shares	6,779	67,599	-	-	-	-	-	74,378	-	74,378
Share issues expenses	-	(2,128)	-	-	-	-	-	(2,128)	-	(2,128)
Conversion of convertible bonds	10,726	119,063	-	-	-	-	-	129,789	-	129,789
Total comprehensive income/(loss) for the period	-	-	-	-	-	2,546	(29,946)	(27,400)	-	(27,400)
<b>At 30 September 2009 (Unaudited)</b>	<b>33,301</b>	<b>390,841</b>	<b>(9,988)</b>	<b>18,689</b>	<b>33,264</b>	<b>33,070</b>	<b>(207,001)</b>	<b>292,176</b>	<b>242,846</b>	<b>535,022</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	Six months ended	
	30 September	
	2010	2009
	RMB'000	RMB'000
Net cash used in operating activities	<b>(163,455)</b>	(8,369)
Net cash (used in)/generated from investing activities	<b>(2,072)</b>	394
Net cash generated from financing activities	<b>108,787</b>	7,208
Net decrease in cash and cash equivalents	<b>(56,740)</b>	(767)
Cash and cash equivalents at beginning of period	<b>73,784</b>	5,631
Effect of foreign exchange rate changes, net	<u>—</u>	<u>50</u>
Cash and cash equivalents at end of period	<b><u>17,044</u></b>	<b><u>4,914</u></b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b><u>17,044</u></b>	<b><u>4,914</u></b>

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

### **1. CORPORATE INFORMATION**

The company was incorporated in Bermuda with limited liability under the Companies Act (1981) of Bermuda and is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The company is an investment holding company. The principal activities of its subsidiaries are investment holding, property investment and provision of building management services and mining.

### **2. BASIS OF PRESENTATION**

The unaudited condensed consolidated financial statements for the six months ended 30 September 2010 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" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The preparation of the unaudited 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 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 2010, except for the adoption of the new Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") as disclosed in note 3 below. The unaudited 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 2010.

### 3. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the group's annual financial statements for the year ended 31 March 2010, except for the adoption of the new standards and interpretations as noted below.

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues
Amendments to HKFRS 5 included in improvements to HKFRSs issued in October 2008	Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary
HKAS 39 Amendment	Amendments to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
Annual Improvements Project	Improvements to HKFRSs 2009
HK Interpretation 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

The adoption of the above new standards and interpretations has had no material effect on the accounting policies of the group and the methods of computation in the interim condensed consolidated financial statements.

#### 4. SEGMENT REPORTING

Operating segments are identified on the basis of internal reports which provides information about components of the group. These information are reported to and reviewed by the chief operating decision-makers (“CODM”) for the purposes of resource allocation and performance assessment.

The CODM considers the business from both geographic and product perspective. Geographically, the CODM considers the performance of the segments in Hong Kong and PRC. The group has presented the following two reportable segments. These segments are managed separately. The property investment segment and the mining segment offers very different products and services.

##### i) Properties investment

The properties investment reportable operating segment derives its revenue primarily from rental of investment properties and property management services.

##### ii) Mining

The mining reportable segment derives its revenue from exploitation of copper and molybdenum.

No reportable operating segment has been aggregated.

##### a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the group’s CODM monitors the results and assets attributable to each reportable segment on the following bases:

Segment profit/(loss) represents the profit earned by/loss from each segment without allocation of central administration costs such as directors’ salaries, investment income and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment. Taxation charge/(credit) is not allocated to reportable segment.

Revenue and expenses are allocated to the reportable segments with reference to the sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The revenue from external parties reported to the CODM is measured in a manner consistent with that in the income statement.

All assets are allocated to reportable segments other than trading securities and corporate assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

**4. SEGMENT REPORTING** (continued)**ii) Mining** (continued)**a) Segment results, assets and liabilities** (continued)

All liabilities are allocated to reportable segments other than current tax liabilities and corporate liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment liabilities.

Information regarding the group's reportable segments as provided to the group's CODM for the purposes of resource allocation and assessment of segment performance for the year is set out below.

	Six months ended 30 September 2010 (Unaudited)			Six months ended 30 September 2009 (Unaudited)		
	Properties investment RMB'000	Mining RMB'000	Total RMB'000	Properties investment RMB'000	Mining RMB'000	Total RMB'000
Revenue from external customers	<u>1,646</u>	<u>-</u>	<u>1,646</u>	<u>3,391</u>	<u>-</u>	<u>3,391</u>
Reportable segment revenue	<u>1,646</u>	<u>-</u>	<u>1,646</u>	<u>3,391</u>	<u>-</u>	<u>3,391</u>
Reportable segment profit/(loss)	<u>4,723</u>	<u>(356)</u>	<u>4,367</u>	<u>(5,280)</u>	<u>-</u>	<u>(5,280)</u>
Interest revenue	<u>2</u>	<u>1</u>	<u>3</u>	<u>10</u>	<u>-</u>	<u>10</u>
Depreciation	<u>(287)</u>	<u>-</u>	<u>(287)</u>	<u>(124)</u>	<u>-</u>	<u>(124)</u>
Loss on disposal of investment properties	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,362)</u>	<u>-</u>	<u>(10,362)</u>
Income tax expense	<u>(2,129)</u>	<u>-</u>	<u>(2,129)</u>	<u>(1,999)</u>	<u>-</u>	<u>(1,999)</u>
Interest expenses	<u>(1,930)</u>	<u>-</u>	<u>(1,930)</u>	<u>(2,523)</u>	<u>-</u>	<u>(2,523)</u>

## 4. SEGMENT REPORTING (continued)

## ii) Mining (continued)

## a) Segment results, assets and liabilities (continued)

	As at 30 September 2010			As at 31 March 2010		
	Properties investment	Mining	Total	Properties investment	Mining	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Reportable segment assets	<u>198,701</u>	<u>502,014</u>	<u>700,715</u>	<u>190,336</u>	<u>500,744</u>	<u>691,080</u>
Additions to non-current segment assets during the year	<u>19</u>	<u>2,040</u>	<u>2,059</u>	<u>83</u>	<u>-</u>	<u>83</u>
Reportable segment liabilities	<u>58,868</u>	<u>8,797</u>	<u>67,665</u>	<u>61,090</u>	<u>7,243</u>	<u>68,333</u>
Deferred tax liabilities	<u>10,216</u>	<u>-</u>	<u>10,216</u>	<u>8,087</u>	<u>-</u>	<u>8,087</u>
Total liabilities	<u>69,084</u>	<u>8,797</u>	<u>77,881</u>	<u>69,177</u>	<u>7,243</u>	<u>76,420</u>

## b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	Six months ended 30 September 2010	
	(Unaudited) RMB'000	2009 (Unaudited) RMB'000
<b>Revenue</b>		
Total reportable segments' revenues	<u>1,646</u>	<u>3,391</u>
Consolidated turnover		
<b>Profit</b>		
Reportable segments' profit/(loss)	<u>4,367</u>	(5,280)
Unallocated corporate income	<u>4</u>	2
Depreciation	<u>(68)</u>	(100)
Interest income	<u>4</u>	1
Finance costs	<u>-</u>	(10)
Unallocated corporate expenses	<u>(8,814)</u>	(22,560)
Consolidated loss before taxation	<u>(4,507)</u>	(27,947)

**4. SEGMENT REPORTING** (continued)**ii) Mining** (continued)**b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities** (continued)

	As at 30 September 2010 (Unaudited) RMB'000	As at 31 March 2010 (Audited) RMB'000
<b>Assets</b>		
Reportable segments' assets	700,715	691,080
Unallocated		
– corporate assets	<u>164,778</u>	<u>75,476</u>
Consolidated total assets	<u><u>865,493</u></u>	<u><u>766,556</u></u>
<b>Liabilities</b>		
Reportable segments' liabilities	(77,881)	(76,420)
Unallocated		
– corporate liabilities	<u>(25,021)</u>	<u>(71,917)</u>
Consolidated total liabilities	<u><u>(102,902)</u></u>	<u><u>(148,337)</u></u>

**c) Revenue from major product and services**

The following is an analysis of the group's revenue from its major products and services:

	Six months ended 30 September 2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
Properties investment	<u>1,646</u>	<u>3,391</u>
	<u><u>1,646</u></u>	<u><u>3,391</u></u>

#### 4. SEGMENT REPORTING (continued)

##### ii) Mining (continued)

##### d) Geographic Information

The following is an analysis of geographical location of (i) the group's revenue from external customers and (ii) the group's non-current assets. The geographical location of customers is refers to the location at which the services were provided or the goods delivered. The group's non-current assets include property, plant and equipment, investment property and intangible assets. The geographical location of property, plant and equipment are based on the physical location of the asset. In the case of intangible assets and investment properties, it is based on the location of operation to which these intangibles are allocated.

	Revenues from external customers		Non-current assets	
	Six months ended 30 September 2010 (Unaudited) RMB'000	Six months ended 30 September 2009 (Unaudited) RMB'000	As at 30 September 2010 (Unaudited) RMB'000	As at 31 March 2010 (Audited) RMB'000
Hong Kong (place of domicile)	–	–	1,678	1,780
PRC	<u>1,646</u>	<u>3,391</u>	<u>697,714</u>	<u>687,446</u>
	<u>1,646</u>	<u>3,391</u>	<u>699,392</u>	<u>689,226</u>

#### 5. SEASONALITY OF OPERATIONS

The group's business in properties leasing and mining had no specific seasonality factor.

**6. TURNOVER**

The principal activities of the group are property investment and mining.

Turnover represents gross rental income and property management services income. The amount of each significant category of revenue recognised in turnover during the period is as follows:

	<b>Six months ended 30 September</b>	
	<b>2010</b>	2009
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
Rental income from operating leases	<u><b>1,646</b></u>	<u>3,391</u>

**7. OTHER REVENUE**

	<b>Six months ended 30 September</b>	
	<b>2010</b>	2009
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
Interest income	<u><b>7</b></u>	<u>11</u>
Total interest income on financial assets not at fair value through profit or loss	<b>7</b>	11
Sundry income	<u><b>76</b></u>	<u>10</u>
	<u><b>83</b></u>	<u>21</u>

**8. LOSS BEFORE TAXATION**

The group's loss before taxation is arrived at after charging/(crediting):

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2010</b>	2009
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
<b>a) Finance costs</b>		
Interest on bank loans wholly repayable over five years	<b>1,930</b>	2,523
Interest on bank overdrafts wholly repayable within five years	–	10
Interest on convertible bonds	–	677
	<b><u>1,930</u></b>	<u>3,210</u>
<b>b) Staff costs</b>		
Wages, salaries and other benefits	<b>3,327</b>	2,200
Contribution to defined contribution retirement plans	<b>249</b>	38
	<b><u>3,576</u></b>	<u>2,238</u>
<b>c) Other items</b>		
Depreciation	<b>355</b>	224
Minimum lease payments under operating leases	<b>1,058</b>	1,172
Gross rental income from investment properties less direct outgoings of RMB1,262,000 (2009: RMB1,173,000)	<b>384</b>	2,218
	<b><u>384</u></b>	<u>2,218</u>

**9. INCOME TAX**

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2010</b>	2009
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
Deferred tax		
Origination and reversal of temporary difference	<u>(2,129)</u>	<u>(1,999)</u>
Tax charge	<u><u>(2,129)</u></u>	<u><u>(1,999)</u></u>

Note:

**i) Hong Kong profits tax**

Hong Kong profits tax is not provided for the period as the group has no estimated assessable profits for the period (2009: RMBNil).

**ii) Deferred taxation**

The amount represented deferred tax arising from the fair value adjustments of investment properties held by the subsidiary in mainland China during the period is approximately RMB2,129,000 (2009: approximately RMB1,999,000).

b) Movements of deferred tax liabilities in the condensed consolidated statement of financial position are as follows:

	<b>At 30</b>	At 31
	<b>30 September</b>	31 March
	<b>2010</b>	2010
	<b>(Unaudited)</b>	(Audited)
	<b>RMB'000</b>	RMB'000
Deferred tax charged to the income statement (note 9(a))	<u><u>2,129</u></u>	<u><u>1,999</u></u>

**10. DIVIDENDS**

The directors do not recommend the payment of any dividend for both periods.

## 11. LOSS PER SHARE

### a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the company of RMB6,580,000 (2009: RMB29,946,000) and on the weighted average number of 27,505,000 ordinary shares in issue during the year (2009: 9,830,000 ordinary shares).

Weighted average number of ordinary shares:

	<b>2010</b>	2009
	<b>Weighted</b>	Weighted
	<b>average</b>	average
	<b>number of</b>	number of
	<b>ordinary shares</b>	ordinary shares
	<b>'000</b>	'000
Issued ordinary shares at 1 April	<b>4,542,910</b>	1,763,698
Effect of issue of new shares in placement	<b>1,225,738</b>	452,438
Effect of issue of new shares upon conversion of convertible bonds	<b>184,008</b>	241,476
Effect of five-for-one share consolidation *	<b>(4,577,410)</b>	(1,966,090)
Effect of fifty-for-one share consolidation **	<b>(1,347,741)</b>	(481,692)
Weighted average number of ordinary shares at 30 September	<b>27,505</b>	9,830

\* The weighted average number of ordinary shares used in 2010 and 2009, for the purpose of calculating basic and diluted loss per share, has been retrospectively adjusted for the five-for-one share consolidation which took place on 12 July 2010.

\*\* The weighted average number of ordinary shares used in 2010 and 2009, for the purpose of calculating basic and diluted loss per share, has been retrospectively adjusted for the fifty-for-one share consolidation which took place on 11 Oct 2010.

### b) Diluted loss per share

Diluted loss per share is equal to the basic loss per share for the years ended 30 September 2010 and 2009 because the outstanding convertible bonds and share option had an anti-dilutive effect on the basis loss per share for the year ended 30 September 2010 and 2009.

## 12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2010, the group acquired plant and equipment at a cost of approximately RMB2,059,000 (31 March 2010: approximately RMB3,711,000).

**13. INVESTMENT PROPERTIES**

All of the group's investment properties were revalued on 30 September 2010 and 31 March 2010 by Castores Magi (Hong Kong) Limited, an independent professional valuer, who has appropriate qualification and experience in the valuation of properties in the relevant locations, on a market value basis, after taking into consideration the net rental income receivable from the existing tenancies and the reversionary rental income potential where appropriate.

The group's investment properties with a total carrying amount of RMB181,178,000 at 30 September 2010 (31 March 2010: RMB144,602,000) have been pledged to secure general banking facilities granted to the group.

The fair value of the investment properties were approximately RMB194,633,000 on 30 September 2010 (31 March 2010: approximately RMB186,117,000).

**14. INTANGIBLE ASSETS**

	RMB'000
<b>Cost</b>	
Addition upon acquisition of subsidiaries	<u>499,398</u>
At 31 March and at 30 September 2010	<u><u>499,398</u></u>
<b>Carrying amount</b>	
At 30 September 2010	<u><u>499,398</u></u>
At 31 March 2010	<u><u>499,398</u></u>

a) During the year ended 31 March 2010, the group acquired the subsidiaries which hold the mining right granted by 赤峰市國土資源局 for the exploitation of copper and molybdenum in certain area in Inner Mongolia in the PRC with a carrying amount of RMB499,398,000.

b) The mining right is stated at cost less accumulated amortisation and any impairment losses.

No amortisation was made during the period as the mine is in a development stage and no mining activities are conducted in the mine.

c) At 30 September 2010, the fair value of the mining right was RMB717,000,000, which is based on the valuation performed by Roma Appraisals Limited, an independent firm of professionally qualified valuers, using the discounted cash flow method under an income based approach. In the opinion of the company's directors, there was no impairment in the carrying amount of the mining right as at 30 September 2010.

**14. INTANGIBLE ASSETS** (continued)

d) The group's mining right at 30 September 2010 represent:

<b>Mining right area</b>	<b>Location</b>	<b>Expiry date</b>
永勝礦區	內蒙古自治區赤峰市克什克騰旗 三義鄉永勝村經棚鎮	26 November 2011

e) As at 30 September 2010, the group's mining right for the exploitation of copper and molybdenum will expire in November 2011. The directors considered after having obtained the PRC legal opinion that, in accordance with the relevant PRC laws and regulations, the group is entitled to renew the mining right when it expires. The directors are of the opinion that there is no circumstance which will preclude the group from obtaining a renewal of the mining right when it expires. Regarding the duration of the mining right, the PRC legal opinion indicated that there is no relevant stipulation under the PRC laws governing the interpretation of the duration.

**15. TRADE AND OTHER RECEIVABLES**

Trade receivables are due after the date of invoice. An aged analysis of the rental receivables as at the end of the reporting period, based on invoice date and net of allowance for doubtful debts, is as follows:

	<b>At 30 September 2010 (Unaudited) RMB'000</b>	<b>At 31 March 2010 (Audited) RMB'000</b>
Current 3 months overdue	<b>874</b>	1,396
More than 3 months but less than 12 months overdue	—	—
Trade receivables	<b>874</b>	1,396
Other receivables	<b>89</b>	1,060
Prepayment and deposits *	<b>147,984</b>	978
	<b>148,947</b>	3,434

\* The deposit included the deposit of RMB78,000,000 (equivalent to approximately HK\$90,000,000) for the company in relation to a acquisition of the 100% interest in Sinowood Holdings Limited (the "Target Group"). The Target Group had a 40% effective interest in the Mining Company in PRC. The transaction was completed on 13 October 2010. Details refer to (Note 23(i))

The deposit also included the refundable cash deposit of RMB68,000,000 (equivalent to approximately HK\$78,000,000) for the company having the first right of refusal to cooperate with the independence third party pursuant to the endeavours contemplated under the supplemental memorandum of understanding in relation to a acquisition of the 100% interest in Pure Power Holdings Limited. Details refer to (Note 23(ii))

**16. CASH AND CASH EQUIVALENTS**

	<b>At 30 September 2010 (Unaudited) RMB'000</b>	<b>At 31 March 2010 (Audited) RMB'000</b>
Cash and bank and on hand	<u>17,044</u>	<u>73,784</u>
Cash and cash equivalents in the condensed consolidated statement of financial position and condensed consolidated statement of cash flows	<u>17,044</u>	<u>73,784</u>

**17. CONVERTIBLE BONDS****i) 3% coupon bonds**

On 27 July 2009, the company issued convertible bonds with principal amount of HK\$260,000,000 (equivalent to approximately RMB231,140,000) which bears interest at 3% per annum payable annually in arrears. The bondholder has the option to convert the bonds into fully paid shares at HK\$0.2 per share at any time within three years from the date of issue. Apart from the adjustments upon occurrence of the usual adjustment events, the conversion price of the convertible bonds can be reset (if necessary) 12 times (i.e. on the last business day of each month) in each calendar year before the date of its maturity in the event that the average closing price of the shares as quoted on the Stock Exchange for the last three consecutive trading days up to and including the Reset Date (the "Reset Price") is lower than the conversion price of the convertible bonds. When such situation takes place, the conversion price of the convertible bonds will be adjusted downwards to the Reset Price with effect from the next trading day, and in any case the reset conversion price should not be less than the par value of the share of HK\$0.01 each.

The bondholder converted bonds amounting to HKD6,000,000 (equivalent to approximately RMB5,094,000) HK\$33,000,000 (equivalent to approximately RMB27,054,000) and HK\$12,000,000 (equivalent to approximately RMB9,613,000) on 4 June 2010, 13 July 2010 and 11 August 2010 at the conversion price of HKD0.06, HKD0.165 and HKD0.106 respectively.

The average closing price of the shares of the company for the last three consecutive trading days of September 2010 was HK\$0.05 per share.

The company may at any time before the maturity date with the consent of the holders of the convertible bonds redeem in whole or in part the convertible bonds. Unless previously converted, purchased or cancelled, the company shall pay the outstanding principal amount under the convertible bonds by cash on the date of maturity of the convertible bonds.

**17. CONVERTIBLE BONDS** *(continued)***ii) Zero coupon bonds I**

On 15 August 2009, the company entered into a placing agreement (the “Placing Agreement”) with Cheong Lee Securities Limited (the “Placing Agent”) pursuant to which the Placing Agent has conditionally agreed to procure the independent placees to subscribe in cash for the 2-year zero coupon convertible redeemable bonds in the maximum principal amount of HK\$600,000,000 (equivalent to approximately RMB533,400,000) (the “zero coupon convertible bonds”). The Placing Agreement was approved by the shareholders of the company by way of poll at the special general meeting held on 21 September 2009.

On 10 February 2010, the Placing Agent has procured two placees to enter into agreements with the company to subscribe for two tranches of the zero coupon convertible bonds in the principal amounts of HK\$10,620,000 (equivalent to approximately RMB9,428,000) per tranche. The subscription agreement for the two tranches bond was entered into between the two placees and the company on 10 February 2010.

On 9 March 2010, the Placing Agent has procured six additional placees to enter into agreements with the company to subscribe for six tranches of the zero coupon convertible bonds in the principal amounts of HK\$10,620,000 (equivalent to approximately RMB9,428,000) per tranche. Each of the subscription agreements for six placees were entered into between the company and the respective placees on 9 March 2010.

As at 31 March 2010, the placing of eight tranches of the zero coupon convertible bonds had been completed for an aggregate principal amount of HK\$84,960,000 (equivalent to approximately RMB75,190,000). Based on the conversion price of HK\$0.118 per conversion share, a maximum number of 720,000,000 conversion shares had been allotted and issued upon exercise of the conversion rights attached to the eight tranches of zero coupon convertible bonds. After completion of the placement of the said eight tranches in February and March 2010, zero coupon convertible bonds up to an aggregate principal amount of HK\$515,040,000 have not been placed.

The date of fulfillment of the conditions precedent under the Placing Agreement was 20 March 2010, being 180 days after the date of the special general meeting (or such other time and date as the Placing Agent and the company shall agree in writing). On 10 March 2010, the Placing Agent and the company mutually agreed in writing that the fulfillment date of the Placing Agreement would be extended to 20 June 2010.

On 19 June 2010, the Placing Agent and the company signed a letter of confirmation and agreed that, subject to shareholders’ approval in a special general meeting of the shareholders, the fulfillment date will be further extended to 20 December 2010.

On 20 September 2010, the company and the Placing Agent entered into the termination agreement to terminate the Placing Agreement. Pursuant to the termination agreement, the parties thereto shall have no obligations and liabilities towards each other under the Placing Agreement.

**17. CONVERTIBLE BONDS** (continued)**iii) Zero Coupon bonds II**

On 20 September 2010, the company and Cheong Lee Securities Limited (the “placing agent”) entered into a placing agreement pursuant to which the placing agent has agreed to procure, on a best effort basis, not less than six independent places to subscribe in cash for the Convertible Bonds of up to an aggregate principal amount of HK\$100,000,000. The net proceeds of approximately HK\$98,200,000 (equivalent to approximately RMB85,990,000). The placing agreement was approved by the shareholders of the company by way of hold at the special general meeting held on 22 October 2010.

The group completed a placing of part of the convertible bonds on 9 November 2010 and generated net cash inflow of approximately RMB42,207,000. The remaining part of convertible bonds shall take place on or before 20 December 2010 and will generate net cash inflow of approximately RMB43,783,000.

**iv) The carrying amount of convertible bonds were as follows:**

	<b>3% coupon bonds (note i)</b>	<b>Zero coupon bonds I (note ii)</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000
At 30 September 2010	22,560	–	22,560

Convertible bonds of the company consisted of the liability component and embedded derivatives, (such as embedded conversion option, and early redemption option). The group elected to designate its convertible bonds with embedded derivatives as financial liabilities at fair value through profit or loss on initial recognition. As at 30 September 2010, the entire convertible bonds were measured at fair value. The valuation was performed by Castores Magi (Hong Kong) Limited, an independent professional valuer, who has a recognised and relevant professional qualification.

The fair value of the convertible bonds was determined based on discounted cash flow calculation. The change in the fair value of convertible bonds was affected by the market interest rate, credit spread of the group and the time to maturity.

## 18. SHARE CAPITAL

	At 30 September 2010		At 31 March 2010	
	No. of shares '000	Amount RMB'000	No. of shares '000	Amount RMB'000
Authorised				
Ordinary shares of HK\$0.01 each				
Beginning of period/year	30,000,000	266,996	3,500,000	31,346
Increase during the year (note i)	–	–	26,500,000	235,650
Share consolidation (note ii)	(24,000,000)	–	–	–
	<u>30,000,000</u>	<u>266,996</u>	<u>26,500,000</u>	<u>235,650</u>
Ordinary shares of HK\$0.05 each				
At the end of period/year	<u>6,000,000</u>	<u>266,996</u>	<u>30,000,000</u>	<u>266,996</u>
Issued and fully paid				
At the beginning of period/year	4,542,909	40,406	1,763,698	15,796
Placing and subscription of new shares (note iii)	–	–	350,000	3,100
Placing and subscription of new shares (note iv)	–	–	412,600	3,670
Placing and subscription of new shares (note v)	–	–	90,000	796
Placing and subscription of new shares (note vi)	510,000	4,513	–	–
Placing and subscription of new shares (note vii)	500,000	4,415	–	–
Placing and subscription of new shares (note viii)	500,000	4,413	–	–
Share consolidation (note ii)	(4,922,328)	–	–	–
Placing and subscription of new shares (note ix)	280,000	12,292	–	–
Placing and subscription of new shares (note x)	360,000	15,859	–	–
Conversion of convertible bonds (note xi)	413,208	14,619	1,926,611	17,044
	<u>4,542,909</u>	<u>40,406</u>	<u>1,763,698</u>	<u>15,796</u>
At the end of period/year	<u>2,183,789</u>	<u>96,517</u>	<u>4,542,909</u>	<u>40,406</u>

**18. SHARE CAPITAL** *(continued)*

- i) By an ordinary resolution passed at a special general meeting held on 16 July 2009, the company's authorized share capital was increased to HK\$300,000,000 (equivalent to approximately RMB266,996,000) by the creation of an additional 26,500,000,000 ordinary shares of HK\$0.01 each.
- ii) On 9 July 2010, the shareholders approved the share consolidation ("Share Consolidation") in the special general meeting. The Share Consolidation represented that every 5 issued and unissued shares of HK\$0.01 each consolidated into one consolidated share of HK\$0.05 each. The Share Consolidation became effective on 12 July 2010.
- iii) On 22 May 2009, Ms. Yu Wai Fong ("Ms. Yu"), the company and Get Nice Securities Limited (the "Placing Agent") entered into a placing and subscription agreement pursuant to which the Placing Agent had placed 350,000,000 placing shares at the placing price of HK\$0.133 per placing share to not less than six independent placees. In addition, Ms. Yu subscribed for and the company issued a total of 350,000,000 subscription shares at a price of HK\$0.133 per subscription share. The net proceeds of the share subscription, after reduction of the relevant expenses, are approximately HK\$45,100,000 (equivalent to approximately RMB40,168,000).
- iv) On 6 July 2009, Ms. Yu, the company and the placing agent entered into a placing and subscription agreement pursuant to which the placing agent had placed 412,600,000 placing shares at the placing price of HK\$0.09 per placing share to not less than six independent placees. In addition, Ms. Yu also subscribed for and the company issued a total of 412,600,000 subscription shares at a price of HK\$0.09 per subscription share. The net proceeds of the share subscription, after deduction of the relevant expenses, are approximately HK\$36,072,000 (equivalent to approximately RMB32,082,000).
- v) On 26 March 2010, the company and the placing agent entered into a placing and subscription agreement pursuant to which the placing agent had placed 90,000,000 placing shares at the price of HK\$0.084 per placing share. The net proceeds of the share subscription, after deduction of the relevant expenses are approximately HK\$7,333,000 (equivalent to approximately RMB6,490,000).
- vi) On 27 March 2010, Ms. Yu, the director of the company, the company and Cheong Lee Securities Limited (the "placing agent") entered into a placing and subscription agreement pursuant to which the placing agent had placed 510,000,000 placing shares at the price of HK\$0.084 per placing share to not less than six independent places. In addition, Ms. Yu also subscribed for and the company issued a total of 510,000,000 subscription shares at a price of HK\$0.084 per subscription share. The placing and subscription were completed on 1 April 2010. The proceeds of the share subscription, are approximately HK\$42,840,000 (equivalent to approximately RMB37,999,000).

**18. SHARE CAPITAL** *(continued)*

- vii) On 27 May 2010, Ms. Yu, the company and placing agent entered into a placing and subscription agreement pursuant to which the placing agent had placed 500,000,000 placing shares at the price of HK\$0.055 per placing share to not less than six independent placees. In addition, Ms. Yu also subscribed for and the company agreed to issue a total of 500,000,000 subscription shares at a price of HK\$0.055 per subscription share. The proceeds of the share subscription, are approximately HK\$27,500,000 (equivalent to approximately RMB24,200,000).
- viii) On 17 June 2010, Ms. Yu, the company and the placing agent entered into a placing and subscription agreement pursuant to which the placing agent has agreed to place 500,000,000 placing shares at the price of HK\$0.039 per placing share to not less than six independent placees. In addition, Ms. Yu also subscribed for and the company issued a total of 500,000,000 subscription shares at a price of HK\$0.039 per subscription share. The proceeds of the shares subscription, are approximately HK\$19,500,000 (equivalent to approximately RMB17,160,000).
- ix) On 5 August 2010, Ms. Yu, the company and the placing agent entered into the placing agreement and the subscription agreement with the company. Pursuant to the placing agreement, the placing agent had placed to not less than six independent placees for up to 100,000,000 existing shares at a price of HK\$0.076 per placing share, for and on behalf of Ms. Yu. Pursuant to the subscription agreement, Ms. Yu subscribed for such number of new shares as is equal to the number of placing shares successfully placed by the placing agent at a price of HK\$0.076 per subscription share.
- Simultaneously upon signing of the placing agreement and subscription agreement, the company also entered into the new share placing agreement with the placing agent pursuant to which the placing agent had placed to not less than six independent placees for up to 180,000,000 new shares at a price of HK\$0.076 per new placing share, for and on behalf of the company.
- x) On 6 September 2010, the company entered into the placing agreement with the placing agent pursuant to which the placing agent had placed to not less than six independent placees for up to 360,000,000 new shares at a price of HK\$0.056 per placing share, for and on behalf of the company.
- xi) During the period ended 30 September 2010, 100,000,000, 200,000,000 and 113,207,547 ordinary shares of HK\$0.01, HK\$0.01 and HK\$0.05 each were issued pursuant to the exercise of the conversion rights attaching to the company's convertible bonds at a conversion price of HK\$0.06 per share, HK\$0.165 per share and HK\$0.106 per share respectively.

## 19. SHARE OPTION SCHEME

The company has a share option scheme which was adopted on 4 October 2002 whereby the directors of the company are authorised, at their discretion, to invite the company's directors (including independent non-executive directors), other employees of the group, suppliers of goods or services to the group, customers of the group, persons or entities that provided research, development or other technological support to the group and any minority shareholder in the company's subsidiaries, to take up options at a nominal consideration to subscribe for shares of the company. The exercise price of options is the highest of the nominal value of the shares, the closing price of the shares on the SEHK on the date of grant and the average closing price of the shares on the SEHK for the five business days immediately preceding the date of grant. The options vest immediately from the date of grant. The options are exercisable after the vesting date but within a period from 28 November 2007 to 3 October 2012 from the date of grant. The options give the holder the right to subscribe for ordinary shares in the company.

a) The terms and conditions of the grants that existed during the years are as follows:

<u>Date of grant</u>	<u>Exercisable period</u>	<u>Exercise price at the date of grant</u>	<u>Number of instruments</u>
<b>i) Options granted to directors</b>			
30 October 2002	30 October 2002 to 29 October 2010	HK\$0.01	214,850,000
28 November 2007	28 November 2007 to 3 October 2012	HK\$0.60	91,160,000
			<u>306,010,000</u>
<b>ii) Options grant to employees</b>			
30 October 2002	30 October 2002 to 29 October 2012	HK\$0.01	103,500,000
28 November 2007	28 November 2007 to 3 October 2010	HK\$0.60	141,080,000
			<u>244,580,000</u>
			<u>550,590,000</u>

**19. SHARE OPTION SCHEME** (continued)**For the year ended 30 September 2010**

Name or category of participant	Number of shares issuable under options						Outstanding at 30 September 2010	Date of grant of share options <sup>*</sup>	Exercisable period of share options	Exercisable price of share options <sup>**</sup>
	Outstanding at 1 April 2010 <sup>***</sup>	Granted during the year	Effect of open offer	Exercise during the year	Forfeited during the year	Expired during the year				
<b>Directors</b>										
Ms. Yu Wai Fong	3,527,000	-	-	-	-	-	3,527,000	28-11-2007	28-11-2007 to 03-10-2012	3
Mr. Au Tat On	3,507,000	-	-	-	-	-	3,507,000	28-11-2007	28-11-2007 to 03-10-2012	3
	<u>7,054,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,054,000</u>			
<b>Employees</b>										
Other employees	7,054,000	-	-	-	-	-	7,054,000	28-11-2007	28-11-2007 to 03-10-2012	3
	<u>7,054,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,054,000</u>			
Total shares issued under options	<u>14,108,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,108,000</u>			

\* The share options vested immediately from the date of the grant.

\*\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the company's share capital.

\*\*\* As a result of the Shares Consolidation becoming effective, the exercise price and the total number of shares to be issued upon exercise of the outstanding options were adjusted to HK\$3 and 14,108,000 shares respectively.

**19. SHARE OPTION SCHEME** (continued)

b) The number and weighted average exercise price of share options are as follows:

	30 September 2010		31 March 2010	
	Weighted average exercise price HK\$	Number of shares issuable under options	Weighted average exercise price HK\$	Number of shares issuable under options
Outstanding at 1 April	3	14,108,000	0.6	141,080,000
Effect of open offer		<u>–</u>		<u>–</u>
	3	14,108,000	0.6	141,080,000
Forfeited during the period/year	3	<u>–</u>	0.6	<u>(70,540,000)</u>
Outstanding at the end of period/year	3	<u>14,108,000</u>	0.6	<u>70,540,000</u>
Issuable at the end of the period/year	3	<u>14,108,000</u>	0.6	<u>70,540,000</u>

The weighted average share price at the date of exercise of share options during the period/year was HK\$Nil (2009: HK\$Nil) since no share options was exercised during the period/year.

The options outstanding at 30 September 2010 had an exercise price of HK\$3 (31 March 2010: HK\$0.6) per share and a weighted average remaining contractual life of 2 years (31 March 2010: 2.9 years).

## 20. RELATED PARTY TRANSACTIONS

The group had the following transactions with related parties during the six months ended 30 September 2010.

### a) Key management personnel remuneration

The key management personnel of the group are the directors of the company. The remuneration of directors during the six months ended 30 September 2010 was as follows:

	<b>Six months ended 30 September 2010 (Unaudited) RMB'000</b>	Six months ended 30 September 2010 (Unaudited) RMB'000
Salaries and other benefits	<b>1,904</b>	822
Contribution to retirement benefit scheme	<b>31</b>	11
	<b><u>1,935</u></b>	<b><u>833</u></b>

### b) Other related party transactions

There was no other related party transaction during the six months ended 30 September 2010 (2009: Nil).

## 21. OPERATING LEASE COMMITMENTS

### i) The group as lessor:

The group leases its investment properties under operating lease arrangements to tenants, with leases negotiated for terms ranging from two to ten years. The terms of the leases generally require the tenants to pay security deposits. At the end of the reporting period, the group had total future minimum lease payments receivable under non-cancellable operating leases from its tenants falling due as follows:

	<b>At 30 September 2010 (Unaudited) RMB'000</b>	At 31 March 2010 (Audited) RMB'000
Within one year	<b>6,050</b>	11,041
In the second to fifth year, inclusive	<b>26,072</b>	29,047
Over five years	<b>13,348</b>	15,649
	<b><u>45,470</u></b>	<b><u>55,737</u></b>

**21. OPERATING LEASE COMMITMENTS** (continued)**ii) The group as lessee:**

At the end of the reporting period, the group had total future minimum lease payments under noncancellable operating leases falling due as follows:

	<b>At 30 September 2010 (Unaudited) RMB'000</b>	At 31 March 2010 (Audited) RMB'000
Within one year	<b>1,160</b>	3,356
In the second to fifth years, inclusive	<b>2,038</b>	2,698
Over five years	–	990
	<b><u>3,198</u></b>	<u>7,044</u>

**22. LITIGATION**

In 1998, the company brought up legal proceedings against ASG Capital Limited and ASG Brokerage Limited (the "Defendants") for breach of the placing and underwriting agreement dated 9 December 1997 on ground that the Defendants failed to fulfill their underwriting obligations thereunder and for the recovery of approximately RMB40 million being the economic loss suffered by the company together with interest and legal costs. The proceedings are now in pre-trial stage of discovery of documents of the parties and the date of the trial has not been fixed. The last action of the parties to the proceedings took place in middle of 2005 when solicitors acting for the company served a notice to inspect documents to those acting for the Defendants.

**23. NON-ADJUSTING POST BALANCE SHEET EVENT**

- i) On 24 March 2010, the company entered into the Memorandum of Understanding (“MOU of Mining Company”) with the Star Lucky Group Ltd (“Vendor”) in relation to a possible acquisition (“Acquisition”) of the 100% interest in Sinowood Holdings Limited (the “Target Group”). The Target Group had a 40% effective interest in the mining company in PRC.

Further to the entering into of the MOU of Mining Company, the company entered into the sale and purchase agreement with the Vendor regarding the Acquisition on 18 August 2010. Pursuant to the sale and purchase agreement, the company has conditionally agreed to acquire the sale share at the consideration of HK\$300,000,000. The company paid HK\$90,000,000 as a deposit during the period ended 30 September 2010 and the remaining of HK\$210,000,000 is settled by issued of convertible bonds (the “Convertible Bonds”).

On 8 September 2010, the company, the Vendor and Mr. Yang further entered into the supplemental agreement in relation to the provision of the Loan by Mr. Yang to the Beijing Company, and the unconditional assignment of the Loan by Mr. Yang to the company (the “Loan Assignment”) at nil consideration. The Loan Assignment is acknowledged by the Beijing Company.

The Acquisition is completed on 13 October 2010. By mutual agreement between the company and the Vendor, the company agreed to early redeem part of the Convertible Bonds in the amount of HK\$100,000,000 which shall be settled in cash by the company. The Vendor agreed to transfer the Convertible Bonds to the company on redemption for cancellation in consideration for the cash payment by the company.

Before the redemption, the company has not received any notice of exercise of the conversion rights attached to the Convertible Bonds since the completion and no shares were issued pursuant to the conversion of the Convertible Bonds.

Following and as a result of the redemption in the aforesaid amount of HK\$30,000,000 and the cancellation of the redeemed Convertible Bonds in the same amount, the outstanding amount due by the company to the Vendor under the Convertible Bonds will be HK\$180,000,000 and the remaining amount of Convertible Bonds that still fall to be redeemed under the early redemption will be HK\$70,000,000. The HK\$70,000,000 for the remaining early redemption shall be paid to the Vendor on or before 31 January 2011 or at a later date to be agreed by the parties.

**23. NON-ADJUSTING POST BALANCE SHEET EVENT** *(continued)*

- ii) On 21 June 2010, the company entered into the Memorandum of Understanding (“MOU of Pure Power”) with the independence third parties (“Vendors”) in relation to a possible acquisition of the 100% interest in Pure Power Holdings Limited (“Pure Power”), a company incorporated under the laws of the British Virgin Islands which will own of 100% of the legal and beneficial interest in Bright Sky Energy & Minerals, INC (“Bright Sky”), a company incorporated in Nevada, USA after the process of restructuring, giving Pure Power a 100% effective interest in the exploration and exploitation rights for oil & gas rights under the oil and gas leases. Bright Sky will be the holder of the oil and gas lease upon completion of the transfer. In accordance with the MOU of Pure Power, the company shall pay cost and expenses in relation to the due diligence not more than HK\$20,000,000 (equivalent to approximately RMB17,700,000).

On 20 September 2010, the company, the Vendor, six companies, each incorporate in BVI (“BVI Cos”) and the Ultimate Beneficial Owners entered into a supplemental memorandum of understanding (the “SMOU”) pursuant to which the parties agreed that the terms of the MOU of pure power should be amended.

The BVI Cos (i) would each become a party of the MOU of Pure Power as if each was one of parties as “Vendors” in the MOU of Pure Power, and (ii) would each be bound by the terms of the MOU of Pure Power that have legally binding effect as if each of the BVI Cos was one of the parties as the “Vendors” in the MOU, of pure power Subject to agreement by the company, the BVI Cos and the Ultimate Beneficial Owners, the BVI Cos may further transfer all the their legal and beneficial interests in the Target Company to a company to be established in the British Virgin Islands after the signing of the SMOU.

A refundable cash deposit in an aggregate amount of up to US\$150,000,000 (“Deposit”), shall be paid by the company to each of the BVI Cos or their nominees in proportion to their respective ultimate beneficial shareholdings in the Pure Power on such date to be agreed by the parties. The Deposit shall be applied to the purchase price payable to the Vendors upon completion (subject to fulfillment of conditions precedent, if any) of the possible acquisition. The company paid US\$10,000,000 (equivalent to approximately RMB68,000,000) as part of the Deposit during the period ended 30 September 2010.

In accordance with the terms of the MOU of Pure Power, the MOU of Pure Power shall have a term of three months (the “Term”). The company has requested and the BVI Cos have agreed to extend the term of the MOU of Pure Power for another one month to until 20 October 2010 by entering into the SMOU. Pursuant to the SMOU, the company shall have the rights to extend the New Term. The exclusivity period has also been extended for one month to 20 October 2010.

On 20 October 2010, the company entered into a letter of confirmation with the BVI Cos whereby, inter alia, the term of the MOU as amended by the SMOU was further extended for two months to 20 December 2010.

**23. NON-ADJUSTING POST BALANCE SHEET EVENT** *(continued)*

- iii) On 20 September 2010, the company and Cheong Lee Securities Limited (the “placing agent”) entered into a placing agreement pursuant to which the placing agent has agreed to procure, on a best effort basis, not less than six independent places to subscribe in cash for the convertible bonds of up to an aggregate principal amount of HK\$100,000,000. The net proceeds of approximately HK\$98,200,000 (equivalent to approximately RMB85,990,000). The placing agreement was approved by the shareholders of the company at the special general meeting held on 22 October 2010.

The group completed a placing of part of the convertible bonds on 9 November 2010 and generated net cash inflow of approximately RMB42,207,000. The remaining part of convertible bonds shall take place on or before 20 December 2010 and will generate net cash inflow of approximately RMB43,783,000.

- iv) On 8 October 2010, the shareholders of the company approved the capital reorganisation at the special general meeting.

The shareholders of the company approved to reorganise the capital of the company in the following manner:

1. reduction in the par value of each issued Share from HK\$0.05 to HK\$0.00002 by cancelling paid up capital to the extent of HK\$0.04998 on each issued share;
2. subdivision of each authorised but unissued Share into 2,500 reduced shares of HK\$0.00002 each;
3. reduction of the authorised share capital of the company from HK\$300,000,000 to HK\$10,000,000 by canceling 14,500,000,000 unissued reduced shares;
4. consolidation of the reduced shares on the basis that every 50 issued and unissued reduced shares of HK\$0.00002 each will be consolidated into one consolidated share of HK\$0.001 each.

**24. APPROVAL OF INTERIM FINANCIAL REPORT**

The interim financial report was approved and authorised for issue by the board on 29 November 2010.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

During the period under review, the group continued to engage in the properties investment business in the PRC. As at 31 March 2010, the aggregate gross floor area of the investment properties being held by the group was approximately 7,004 square meters, of which approximately 73% of the properties were leased to third parties under operating leases with lease terms ranging up to nine years.

Regarding the mining business of the group, the copper and molybdenum mine (the "Mine") located at Keshi Ketengqi Sanyixiang, Yongsheng Cun, Jingpeng Zhen, Chifeng City, Inner Mongolia, PRC is still in the development stage and thus has not yet contributed any operational turnover to the group.

On 18 August 2010, the company (as a purchaser) entered into the sales and purchase agreement with Star Lucky Group Limited (as a vendor) for the acquisition (the "Acquisition") of the remaining 40% interest in the Mine at the consideration of HK\$300 million. The Acquisition was completed on 13 October 2010. Upon Completion, the company will effectively hold 91% of the indirect interest in the Mine. Details of which are set out in the announcements and circular of the company dated 27 August 2010 and 17 September 2010 respectively.

The company (as the purchaser) entered into the memorandum of understanding and the supplemental memorandum of understanding with the independent third parties (as the Vendors) on 21 June 2010 and 20 September 2010 respectively for the possible acquisition of the entire interest in a target company which upon completion of the restructuring (the "Possible Acquisition"), shall be the ultimate owner of 100% effective interest in the oil & gas rights in parcels of lands in Nevada under three oil & gas leases. The company is still in the process of conducting due diligence on the target company of the Possible Acquisition and negotiating with the vendors thereof on the terms of the Possible Acquisition.

### Financial Review

For the period under review, the group's turnover was approximately RMB1.65 million (2009: approximately RMB3.39 million), representing a decrease of approximately 51% compared with the same period last year. The decrease in turnover was mainly due to termination and rearrangement of certain operating leases during the period. The unaudited net loss for the period under review was approximately RMB6.64 million (2009: RMB29.95 million) and the loss per share for was RMB0.24 (2009: RMB3.05). The decrease in loss was mainly attributable to change in fair value of convertible bonds and the one time loss on disposing of investment properties last year.

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### Financial Review *(continued)*

The administrative expenses of the group for the period amounted to approximately RMB12.88 million, representing an increase of approximately 13.28% compared with the same period last year, of which such increase was mainly attributable to the professional fees in relation to the Acquisition and Possible Acquisition. The finance cost of the group amounted to approximately RMB1.93 million which was incurred for the bank loans under the security of investment properties in Shanghai.

### Liquidity and Financial Resources

As at 30 September 2010, the group's net current assets were approximately RMB149.98 million (at 31 March 2010: net current assets approximately RMB59.01 million), including cash and bank balance of approximately RMB17.04 million (at 31 March 2010: approximately RMB73.78 million).

The group had bank borrowings of RMB57 million as at 30 September 2010 (at 31 March 2010: RMB58.5 million). The borrowings were bank loans under security, of which 5.3% were due within one year from balance sheet date, 6.1% were due more than one year but not exceeding two years, 23.7% were due more than two years but not exceeding five years and 64.9% were due more than five years. The gearing ratio, defined as the percentage of net debts to the total equity of the company, was approximately 13% (at 31 March 2010: 24%).

### Investment Position

The group did not have any significant investment position in stocks, bonds and other financial derivatives as at 30 September 2010.

### 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.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(continued)*

### **Shares Capital and Capital Structure**

During the period under review, the company implemented the share consolidation on the basis that every 5 issued and unissued Shares of HK\$0.01 each be consolidated into one Consolidated Share of HK\$0.05 each. Upon the share consolidation becoming effective, the authorized share capital of the Company became HK\$300,000,000 divided into 6,000,000,000 consolidated shares of HK\$0.05 each, of which 1,230,581,952 Consolidated Shares be in issue.

During the period under review, an aggregate principal of HK\$51 million redeemable convertible bonds (the "Convertible Bonds" which were issued by the company on 27 July 2009 in a total principal amount of HK\$260 million) were converted into 413,207,547 new ordinary shares of the company. The outstanding principal amounts of the Convertible Bonds as at 30 September 2010 were HK\$27 million.

Save as disclosed above, there was no change in the capital structure of the company for the period ended 30 September 2010.

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

As at 30 September 2010, the group's investment properties with a value of approximately RMB194.6 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 2010, the group does not have any material contingent liability (2009: Nil).

### **Acquisition and Disposal of Subsidiaries**

There was no acquisition and disposal of subsidiaries of the group during the period ended 30 September 2010.

### **Employees**

As at 30 September 2010, the group had 44 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.

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### Outlook

Upon completion of the acquisition of further 40% interest of the Mine, the company will effectively hold 91% of the indirect interest in the Mine. In view of the continual economic growth in the PRC, it is expected that demand for non-ferrous metals (such as copper and molybdenum) will be sustainably high in long run. We hence consider that it is beneficial for the Group to penetrate further into the non-ferrous metals industry in order to strengthen the Group's income source. In the meantime, the group will continue with its existing properties investment business which provide steady income source for the group.

Going forward, the group will continue to look for other investment opportunities in any other steam in the long run so as to broaden the source of income of the group and diversify the group's business portfolio.

### 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 2010.

### DIRECTORS' INTEREST AND SHORT POSITIONS IN SHARES

As at 30 September 2010, the interests and short positions of the directors of the company in the share capital of the company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

#### Long positions in shares of the company

Name of director	Capacity of shares held	No. of Shares held	Percentage of issued share capital
Yu Wai Fong	Beneficial owner	102,526,071	4.69%

Save as disclosed above, as at 30 September 2010, none of directors had registered an interest or short position in the shares of the company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme in note 19 to the condensed consolidated financial statements of the company, at no time during the period under review were rights to acquire benefits by means of the acquisition of shares in or debentures of the company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

As at 30 September 2010, so far as was known to the directors of the company, the following parties being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the company, were recorded in the register kept by the company under section 336 of the SFO:

### Long positions in shares of the company

Name	Capacity of shares held	No. of Shares held	Percentage of issued share capital
Gold Trinity International Limited (note)	Beneficial owner	483,070,874	22.12%
Han Wei	Interest of a controlled corporation	483,070,874	22.12%

#### Notes:

1. Gold Trinity International Limited was the holder of 113,207,861 shares of the company and 369,863,013 underlying shares in connection with the convertible bonds issued by the Company on 27 July 2009 in an outstanding principal amount of HK\$27 million at the conversion price of HK\$0.073 per conversion share.
2. Gold Trinity is wholly-owned by Mr. Han Wei who is deemed to be interested in 113,207,861 shares of the company and 369,863,013 underlying shares. Therefore, Mr. Han Wei is taken to be interested in 483,070,874 shares of the company.

Save as disclosed above, as at 30 September 2010, no other interest or short position in the share of the company were recorded in register required to be kept under section 336 of the SFO.

## 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 six months ended 30 September 2010, 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 Mr. Lam Man Yui, Mr. Lai Wai Yin, Wilson and Ms. Cao Jie Min. 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 six months ended 30 September 2010 was reviewed by the Audit Committee who are of the opinion that such statements comply with the applicable accounting standards and that adequate disclosures have been made.

By order of the board  
**China Properties Investment Holdings Limited**  
**Xu Dong**  
*Chairman*

Hong Kong, 29 November 2010