



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 **2011**



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Xu Dong (*Chairman*)
Au Tat On

Non-Executive Director

Yu Wai Fong

Independent Non-Executive Directors

Lai Wai Yin, Wilson
Cao Jie Min
Tse Kwong Wah

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

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Hamilton HM11
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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 2001, 20/F
Lippo Centre, Tower Two
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HONG KONG SHARE REGISTRAR

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28 Queen's Road East
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WEBSITE

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

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 2011, together with the comparative figures of the corresponding period last year as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	<i>Notes</i>	Six months ended 30 September 2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000
Turnover	6	1,334	1,646
Cost of sales		<u>(1,190)</u>	<u>(1,262)</u>
		144	384
Valuation gains on investment properties		11,947	8,515
Fair value (loss)/gain on convertible bonds		(3,578)	1,325
Other revenue	7	1,097	83
Administrative expenses		(18,951)	(12,884)
Other operating expenses		<u>(49)</u>	<u>–</u>
Loss from operations		(9,390)	(2,577)
Finance costs	8(a)	<u>(2,067)</u>	<u>(1,930)</u>
Loss before taxation	8	(11,457)	(4,507)
Income tax	9(a)	<u>(2,987)</u>	<u>(2,129)</u>
Loss for the period		<u><u>(14,444)</u></u>	<u><u>(6,636)</u></u>
Attributable to:			
Owners of the company		(14,157)	(6,580)
Non-controlling interests		<u>(287)</u>	<u>(56)</u>
Loss for the period		<u><u>(14,444)</u></u>	<u><u>(6,636)</u></u>
			(restated)
Loss per share	11	RMB	RMB
– Basic		<u><u>(0.09)</u></u>	<u><u>(1.41)</u></u>
– Diluted		<u><u>(0.09)</u></u>	<u><u>(1.41)</u></u>

The notes on pages 7 to 34 form part of this condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	Six months ended	
	30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Loss for the period	(14,444)	(6,636)
Other comprehensive loss for the period (after tax and reclassification adjustments) Exchange differences on translation of financial statements of the overseas subsidiaries	<u>(7,360)</u>	<u>(2,355)</u>
Total comprehensive loss for the period	<u>(21,804)</u>	<u>(8,991)</u>
Attributable to:		
Owners of the company	(21,517)	(8,935)
Non-controlling interests	<u>(287)</u>	<u>(56)</u>
Total comprehensive loss for the period	<u>(21,804)</u>	<u>(8,991)</u>

The notes on pages 7 to 34 form part of this condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2011

	Notes	30/9/2011 (Unaudited) RMB'000	31/3/2011 (Audited) RMB'000
Non-current assets			
Plant and equipment	12	13,276	14,859
Investment properties	13	210,261	198,314
Intangible assets	14	499,398	499,398
Deposit for acquisition of subsidiaries	15	124,799	124,799
		<u>847,734</u>	<u>837,370</u>
Current assets			
Trade and other receivables	16	42,626	1,765
Trading securities		101	150
Cash and cash equivalents	17	118,991	5,943
		<u>161,718</u>	<u>7,858</u>
Current liabilities			
Other payables		32,659	26,592
Interest-bearing bank borrowings		4,000	3,500
		<u>36,659</u>	<u>30,092</u>
Net current assets/(liabilities)		<u>125,059</u>	<u>(22,234)</u>
Total assets less current liabilities		<u>972,793</u>	<u>815,136</u>
Non-current liabilities			
Interest-bearing bank borrowings		50,000	52,000
Deferred tax liabilities	9(b)	14,123	11,136
Convertible bonds	18	32,459	147,680
		<u>96,582</u>	<u>210,816</u>
NET ASSETS		<u>876,211</u>	<u>604,320</u>
EQUITY			
Equity attributable to owners of the company			
Share capital	19	7,853	2,833
Reserves		822,025	554,867
		<u>829,878</u>	<u>557,700</u>
Non-controlling interests		<u>46,333</u>	<u>46,620</u>
Total equity		<u>876,211</u>	<u>604,320</u>

The notes on pages 7 to 34 form part of this condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	Share capital	Share premium	Special reserve	Employee		Exchange fluctuation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
				Contributed surplus reserve	share-based compensation reserve					
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 April 2011	2,833	671,776	(56,225)	-	16,632	28,328	(105,644)	557,700	46,620	604,320
Right issue	4,176	279,841	-	-	-	-	-	284,017	-	284,017
Placing and subscription of new shares	844	17,713	-	-	-	-	-	18,557	-	18,557
Share issues expenses	-	(8,879)	-	-	-	-	-	(8,879)	-	(8,879)
Total comprehensive loss for the period	-	-	-	-	-	(7,360)	(14,157)	(21,517)	(287)	(21,804)
At 30 September 2011 (Unaudited)	7,853	960,451	(56,225)	-	16,632	20,968	(119,801)	829,878	46,333	876,211
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)
At 30 September 2010 (Unaudited)	96,517	552,192	(9,988)	18,689	16,632	29,314	(186,182)	517,174	245,417	762,591

The notes on pages 7 to 34 form part of this condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	Six months ended	
	30 September	
	2011	2010
	RMB'000	RMB'000
Net cash used in operating activities	(63,907)	(163,455)
Net cash used in investing activities	(19)	(2,072)
Net cash generated from financing activities	176,974	108,787
Net increase/(decrease) in cash and cash equivalents	113,048	(56,740)
Cash and cash equivalents at beginning of period	5,943	73,784
Cash and cash equivalents at end of period	118,991	17,044
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	118,991	17,044

The notes on pages 7 to 34 form part of this condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

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, properties investment and investing in mining activities.

2. BASIS OF PRESENTATION

i) Basis of measurement

The unaudited condensed consolidated financial statements for the six months ended 30 September 2011 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 2011, 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 2011.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the group and the company. Of these, the following developments are relevant to the group's financial statements:

- HKAS 24 (revised 2009), Related party disclosures
- HKFRSs (Amendments), Improvements to HKFRSs (2010)

The development related primarily to clarification of certain disclosure requirements applicable to the group's financial statements have had no material impact on the contents of this interim financial report. The group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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”) who are the executive directors of the company for the purposes of resource allocation and performance assessment.

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

Properties investment

The properties investment reportable operating segment derives its revenue primarily from rental of investment properties.

Investing in mining activities

The investing in mining activities reportable segment derive its revenue from investment income for the activities of 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, assets and 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 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)*

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 2011 (Unaudited)			Six months ended 30 September 2010 (Unaudited)		
	Properties investment RMB'000	Investing in mining activities RMB'000	Total RMB'000	Properties investment RMB'000	Investing in mining activities RMB'000	Total RMB'000
Revenue from external customers	1,334	-	1,334	1,646	-	1,646
Reportable segment revenue	1,334	-	1,334	1,646	-	1,646
Reportable segment profit/(loss) before taxation	7,418	(2,699)	4,719	4,723	(356)	4,367
Interest revenue	3	-	3	2	1	3
Depreciation	(380)	(819)	(1,199)	(287)	-	(287)
Income tax expense	(2,987)	-	(2,987)	(2,129)	-	(2,129)
Interest expenses	(2,067)	-	(2,067)	(1,930)	-	(1,930)

4. SEGMENT REPORTING (continued)

a) Segment results, assets and liabilities (continued)

	As at 30 September 2011			As at 31 March 2011		
	Investing in			Investing in		
	Properties investment RMB'000	mining activities RMB'000	Total RMB'000	Properties investment RMB'000	mining activities RMB'000	Total RMB'000
Reportable segment assets	<u>213,073</u>	<u>505,694</u>	<u>718,767</u>	<u>201,293</u>	<u>506,137</u>	<u>707,430</u>
Additions to non-current assets (other than financial instruments and deferred tax assets)	<u>15</u>	<u>572</u>	<u>587</u>	<u>899</u>	<u>6,707</u>	<u>7,606</u>
Reportable segment liabilities	<u>62,739</u>	<u>13,873</u>	<u>76,612</u>	<u>58,676</u>	<u>14,043</u>	<u>72,719</u>
Deferred tax liabilities	<u>14,123</u>	<u>-</u>	<u>14,123</u>	<u>11,136</u>	<u>-</u>	<u>11,136</u>
Total liabilities	<u>76,862</u>	<u>13,873</u>	<u>90,735</u>	<u>69,812</u>	<u>14,043</u>	<u>83,855</u>

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

	Six months ended	
	30 September 2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000
Revenue		
Total reportable segments' revenues	<u>1,334</u>	1,646
Elimination of inter-segment revenue	<u>-</u>	-
Consolidated turnover	<u>1,334</u>	<u>1,646</u>
Profit/(loss)		
Total reportable segments' profit	<u>4,719</u>	4,367
Unallocated corporate income	<u>530</u>	4
Depreciation	<u>(943)</u>	(68)
Interest revenue	<u>564</u>	4
Finance costs	<u>-</u>	-
Unallocated corporate expenses	<u>(16,327)</u>	(8,814)
Consolidated loss before taxation	<u>(11,457)</u>	<u>(4,507)</u>

4. SEGMENT REPORTING (continued)

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

	As at 30 September 2011 (Unaudited) RMB'000	As at 31 March 2011 (Audited) RMB'000
Assets		
Total reportable segments' assets	718,767	707,430
Unallocated		
– corporate assets	<u>290,685</u>	<u>137,798</u>
Consolidated total assets	<u><u>1,009,452</u></u>	<u><u>845,228</u></u>
Liabilities		
Total reportable segments' liabilities	(90,735)	(83,855)
Unallocated		
– corporate liabilities	<u>(42,506)</u>	<u>(157,053)</u>
Consolidated total liabilities	<u><u>(133,241)</u></u>	<u><u>(240,908)</u></u>

c) Revenue from major services

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

	Six months ended 30 September 2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000
Properties investment	<u>1,334</u>	<u>1,646</u>
	<u><u>1,334</u></u>	<u><u>1,646</u></u>

4. SEGMENT REPORTING (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 refers to the location at which the services were provided or the goods delivered. The group's non-current assets include plant and equipment, investment properties and intangible assets and deposit for acquisition of subsidiaries. The geographical location of plant and equipment and investment properties are based on the physical location of the asset. In the case of intangible assets, 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 2011 (Unaudited) RMB'000	Six months ended 30 September 2010 (Unaudited) RMB'000	As at 30 September 2011 (Unaudited) RMB'000	As at 31 March 2011 (Audited) RMB'000
Hong Kong (place of domicile)	–	–	128,967	126,086
PRC	1,334	1,646	718,767	711,284
	<u>1,334</u>	<u>1,646</u>	<u>847,734</u>	<u>837,370</u>

5. SEASONALITY OF OPERATIONS

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

6. TURNOVER

The principal activities of the group are properties investment and investing in mining activities.

Turnover represents gross rental income from operating leases. The amount of each significant category of revenue recognised in turnover during the period is as follows:

	Six months ended	
	30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Rental income from operating lease	<u>1,334</u>	<u>1,646</u>

7. OTHER REVENUE

	Six months ended	
	30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
a) Other revenue		
Interest income	<u>567</u>	<u>7</u>
Total interest income on financial assets not at fair value through profit or loss	567	7
Sundry income	<u>530</u>	<u>76</u>
	<u>1,097</u>	<u>83</u>

8. LOSS BEFORE TAXATION

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

	Six months ended	
	30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
a) Finance cost		
Interest on bank borrowings, overdrafts and other loan wholly repayable within five years	–	–
Interest on bank borrowings overdrafts wholly repayable after five years	<u>2,067</u>	<u>1,930</u>
Total interest expense on financial liabilities not at fair value through profit or loss	<u><u>2,067</u></u>	<u><u>1,930</u></u>
b) Staff costs		
Salaries, wages and other benefits (including directors' emoluments)	4,226	3,327
Contribution to defined contribution retirement plans (including directors' emoluments)	<u>310</u>	<u>249</u>
	<u><u>4,536</u></u>	<u><u>3,576</u></u>
c) Other items		
Minimum lease payments under operating leases	1,440	1,058
Depreciation	2,142	355
Gross rental income from investment properties less direct outgoings of RMB1,190,000 (2010: RMB1,262,000)	<u>144</u>	<u>384</u>

9. INCOME TAX

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

	Six months ended	
	30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Deferred tax Origination and reversal of temporary difference	<u>(2,987)</u>	<u>(2,129)</u>
Tax charge	<u><u>(2,987)</u></u>	<u><u>(2,129)</u></u>

Note:

i) Hong Kong profits tax

No provision for Hong Kong profits tax has been provided for the period as the group has no estimated assessable profits for the period (2010: RMBNil).

- ii)** PRC enterprise income tax ("EIT") for the period ended 30 September 2011 is 25% (2010: 25%). The EIT has not been provided for as the group has incurred losses in PRC for the period.

iii) 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 RMB2,987,000 (2010: approximately RMB2,129,000).

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

	At	At
	30 September	31 March
	2011	2011
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Deferred tax charged to the income statement (note 9(a))	<u><u>2,987</u></u>	<u><u>2,129</u></u>

10. DIVIDENDS

The directors did 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 RMB14,157,000 (2010: RMB6,580,000) and on the weighted average number of 161,834,000 ordinary shares in issue during the period (2010: 4,659,000 ordinary shares).

Weighted average number of ordinary shares:

	2011	2010
	Weighted	Weighted
	average	average
	number of	number of
	ordinary shares	ordinary shares
	'000	'000
		(restated)
Issued ordinary shares at 1 April*	96,700	4,546,652
Effect of issue of new shares in placement	207,849	1,225,738
Effect of issue of new shares upon conversion of convertible bonds	4,550,438	184,008
Effect of five-for-one share consolidation (Note 19(i))	–	(4,577,410)
Effect of fifty-for-one share consolidation (Note 19(ii)(c))	–	(1,347,741)
Effect of thirty-for-one share consolidation (Note 19(x))	(4,693,153)	(26,588)
Weighted average number of ordinary shares at the end of the period	161,834	4,659

* The number of ordinary shares has been adjusted to take into account the retrospective adjustment to the number of shares outstanding before the rights issue which completed on 21 April 2011 to reflect the bonus element inherent in the rights issue.

b) Diluted loss per share

Diluted loss per share equals to basic loss per share because the outstanding convertible bonds and share option had an anti-dilutive effect on the basic loss per share for both periods presented.

12. PLANT AND EQUIPMENT

During the six months ended 30 September 2011, the group acquired plant and equipment at a cost of approximately RMB587,000 (31 March 2011: approximately RMB8,065,000).

13. INVESTMENT PROPERTIES

All of the group's investment properties were revalued on 30 September 2011 and 31 March 2011 by Castores Magi (Hong Kong) Limited, an independent professional valuer, who has a recognised and relevant professional qualification and recent experience in the locations and category of properties being revalued on an open market 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 RMB210,261,000 at 30 September 2011 (31 March 2011: RMB198,314,000) have been pledged to secure general banking facilities granted to the group.

The fair value of the investment properties were approximately RMB210,261,000 on 30 September 2011 (31 March 2011: approximately RMB198,314,000).

14. INTANGIBLE ASSETS

	RMB'000
Cost	
At as 1 April 2010, 31 March 2011 and 30 September 2011	<u>499,398</u>
	(Unaudited)
Carrying amount	
At 30 September 2011	<u>499,398</u>
	(audited)
At 31 March 2011	<u>499,398</u>

- a) The group acquired the subsidiaries which hold the mining rights 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 rights are stated at cost less accumulated amortisation and any impairment losses.

No amortisation was made during the period as the mine is at its development stage and no mining activities are conducted up to the end of the reporting period.

14. INTANGIBLE ASSETS (continued)

- c) At 30 September 2011, the fair value of the mining right was RMB512,000,000, which was based on the valuation performed by Roma Appraisals Limited, an independent firm of professionally qualified valuers, using discounted cash flow method under an income approach. In June 2011, the group entered into a co-operation agreement with an independent contractor under which the group will provide the mineral resources of the Mine and all required documents and information related to the procedures of mine construction and processing. The contractor is responsible for the construction of mining and processing equipment, infrastructure and other ancillary facilities. After completion of the construction, the contractor will further account for the operation of the mine. The Group will share 30% to 60% of the profit generated from the mine on a progressive basis throughout the term of the co-operation agreement in accordance with the relevant terms and conditions of the co-operation agreement, and the contractor shall share the remaining profit (i.e. 70% to 40%) of the mine during the term of the co-operation agreement. The term of the co-operation agreement is 15 years and it can be renewed with the mutual agreement between the company and the contractor. In the opinion of the company's directors, no impairment to the carrying value of the mining rights as at 30 September 2011 is required since its fair value as at the date of the report is higher than its carrying amount of RMB499,398,000.
- d) The group's mining right at 30 September 2011 represent:

Mining right area	Location	Expiry date
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	17 November 2014

- e) The group's previous mining rights for the exploitation of copper and molybdenum expired in November 2011. On 17 November 2011, the group successfully applied the extension of the mining rights for the exploitation of copper and molybdenum for three years to 17 November 2014. 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 rights 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 rights 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. DEPOSIT FOR ACQUISITION OF SUBSIDIARIES

On 21 June 2010, the company entered into the Memorandum of Understanding (“MOU of Pure Power”) with the independent third parties in relation to the possible acquisition of the 100% interest in Pure Power Holdings Limited (“Pure Power”) which owns a 100% of the legal and beneficial interest in Bright Sky Energy & Minerals, INC (“Bright Sky”), a company incorporated in Nevada, USA. Bright Sky is the holder of the oil and gas lease which gives Pure Power a 100% effective interest in the exploration and exploitation rights for oil and gas leases owned by Bright Sky. The interest of possible acquisition of Pure Power was amended to 71.76% under the letter of confirmation signed on 20 September 2011.

According to the Supplemental Memorandum of Understanding (the “SMOU”) signed on 20 September 2010, the total deposit of the transaction is US\$150 million (approximately equivalent to RMB985 million). According to the letter of confirmation signed on 20 September 2011, the group has to settle the balance of purchase consideration of US\$131 million (equivalent to approximately RMB860 million) before 20 December 2011.

In accordance with the terms of the MOU of Pure Power, the MOU of Pure Power shall have a term of three months. The company has requested and the BVI companies 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 companies whereby, inter alia, the term of the MOU as amended by the SMOU was further extended to 20 December 2010. The letter of confirmation was extended several times to 20 December 2011 during the period.

As at the date of the report, the group has not yet arranged financing for payment. The directors of the company considered they are still in negotiation with the vendors for the payment terms of the possible acquisition and will obtain the required facilities to settle the remaining balance before the prescribed date.

16. 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:

	At 30 September 2011 (Unaudited) RMB'000	At 31 March 2011 (Audited) RMB'000
Current 3 months overdue	–	118
More than 3 months but less than 12 months overdue	–	–
Trade receivables	–	118
Other receivables (Note 1)	41,270	565
Loan and receivables	41,270	683
Prepayment and deposits	1,233	1,082
Amount due from a related party (Note 2)	123	–
	42,626	1,765

Note 1 Pursuant to the loan agreement between Simsen Capital Finance Limited (“Simsen Capital”), who is a licensed money lender and the borrower, who is an independent third party, Simsen Capital agreed to make the loan of HK\$76,000,000 (“Loan”) available to the borrower. The amount of HK\$48,000,000 has been provided by the Simsen Capital to the borrower directly accordance with the loan agreement and the remaining amount of HK\$28,000,000 has already been lent to the borrower through Power Alliance International Limited (“Power Alliance”), a participant of the Loan under the participation agreement signed between Simsen Capital and Power Alliance.

Under the loan agreement, the borrower had granted the convertible notes and promissory note in favour of Simsen Capital to secure the Loan.

The repayment date of the Loan is the date falling three months from the date of drawdown which may be extended for further three months if so agreed by the parties thereto. The Loan had been draw down by the borrower on 7 June 2011, and the repayment date of the Loan was 6 September 2011. On 7 September 2011, both parties agreed to extend the Loan for further three months to 5 December 2011.

On 27 July 2011, based on the above Loan agreement, the company entered into the participation deed with the Simsen Capital, and the sub-participation agreement with Power Alliance respectively in relation to the participation on the advancement of the first participation amount of HK\$42,000,000 (approximately RMB34,440,000) and second participation amount of HK\$8,000,000 (approximately RMB6,560,000).

Note 2 The amount due from a related party is unsecured, interest free and no fixed repayment term.

17. CASH AND CASH EQUIVALENTS

	At 30 September 2011 (Unaudited) RMB'000	At 31 March 2011 (Audited) RMB'000
Cash and bank and on hand	<u>118,991</u>	<u>5,943</u>
Cash and cash equivalents in the condensed consolidated statement of financial position and condensed consolidated statement of cash flows	<u>118,991</u>	<u>5,943</u>

18. CONVERTIBLE BONDS**i) 3% coupon bonds I**

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 average closing price of the shares of the company for the last three consecutive trading days in July 2009 was HK\$0.121 per share, which was lower than the initial conversion price of HK\$0.20. Therefore, the conversion price of the conversion bonds was reset to HK\$0.121 per share with effect from 3 August 2009.

The average closing price of the shares of the company for the last three consecutive trading days in November 2009 was HK\$0.115, which was lower than the reset price of HK\$0.121 with effect from 3 August 2009. Therefore, the conversion price of the convertible bonds was reset to HK\$0.115 per share with effect from 30 November 2009.

18. CONVERTIBLE BONDS *(continued)*

i) 3% coupon bonds I *(continued)*

The average closing price of the shares of the company for the last three consecutive trading days in December 2009 was HK\$0.081, which was lower than the reset price of HK\$0.115 which took effect from 30 November 2009. Therefore, the conversion price of the convertible bonds was reset to HK\$0.081 per share with effect from 4 January 2010.

The average closing price of the shares of the company for the last three consecutive trading days in May 2010 was HK\$0.06 per share, which was lower than the reset price of HK\$0.081 which took effect as from 4 January 2010. Therefore, the conversion price of the convertible bonds was reset to HK\$0.06 per share with effect from 1 June 2010.

The average closing price of the shares of the company for the last three consecutive trading days in June 2010 was HK\$0.033 per share, which was lower than the reset price of HK\$0.06 which took effect as from 1 June 2010. Therefore, the conversion price of the convertible bonds was reset to HK\$0.033 per share with effect from 2 July 2010.

The average closing price of the shares of the company for the last three consecutive trading days in July 2010 was HK\$0.106 per share, which was lower than the reset price of HK\$0.165 (after the consolidation of five issued and unissued shares into one consolidated shares) which took effect as from 2 July 2010. Therefore, the conversion price of the convertible bonds was reset to HK\$0.106 per share with effect from 2 August 2010.

The average closing price of the shares of the company for the last three consecutive trading days in August 2010 was HK\$0.073 per share, which was lower than the reset price of HK\$0.106 which took effect as from 2 August 2010. Therefore, the conversion price of the convertible bonds was reset to HK\$0.073 per share with effect from 1 September 2010.

The average closing price of the shares of the company for the last three consecutive trading toys in September 2010 was HK\$0.041 per share, which was lower than the par value of the shares of HK\$0.05 each after the effective date of share consolidation of five issued and unissued shares into one consolidated share. Therefore, the conversion price of the convertible bonds was reset to HK\$0.05 per share with effect from 4 October 2010.

Immediately prior to the capital reorganization becoming effective on 11 October 2010, the conversion price of the convertible bonds was adjusted from HK\$0.05 per share to HK\$2.5 per share.

18. CONVERTIBLE BONDS *(continued)***i) 3% coupon bonds I** *(continued)*

The company redeemed part of the convertible bonds amounting HK\$36,000,000 (equivalent to approximately RMB32,004,000) in 2009. The bondholder converted bonds amounting to HK\$61,000,000 (equivalent to approximately RMB54,229,000) and HK\$85,000,000 (equivalent to approximately RMB75,565,000) on 4 August 2009 and 9 September 2009 respectively into ordinary shares of the company at the conversion price of HK\$0.121.

The bondholder converted bonds amounting to HKD6,000,000 (equivalent to approximately RMB5,293,000), HK\$33,000,000 (equivalent to approximately RMB28,935,000), HK\$12,000,000 (equivalent to approximately RMB10,536,000), HK\$11,000,000 (equivalent to approximately RMB9,424,000) and HK\$16,000,000 (equivalent to approximately RMB13,678,000) on 4 June 2010, 13 July 2010 and 11 August 2010, 13 October 2010 and 26 October 2010 respectively into ordinary shares of the company.

The company may at any time before the maturity date with the consent of the bondholder 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.

At the end of the reporting period, the 3% Coupon Bonds I was fully converted or redeemed.

ii) Zero Coupon bonds

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 for 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 group completed the placing of the total amount of HK\$100,000,000 convertible bonds on 9 November 2010 and 14 December 2010. The bondholders converted 34,340,657 and 50,000,000 ordinary shares of HK\$0.001, each were issued pursuant to the exercise of the conversion rights attached to the company's zero coupon bonds at a conversion price of HK\$1.456 per share and HK\$1 per share respectively. The total net cash inflow of HK\$48,200,000 (equivalent to approximately RMB42,770,000) and HK\$48,410,000 (equivalent to approximately RMB42,655,000) respectively. There is no outstanding zero coupon bonds as at 31 March 2011 and 30 September 2011.

18. CONVERTIBLE BONDS (continued)**iii) 3% Coupon Bonds II**

On 13 October 2010, the company issued convertible bonds with a total principal amount of HK\$210,000,000 (equivalent to approximately RMB179,907,000) which bear interest at 3% per annum payable annually in arrear. The fair value of the 3% coupon bonds II was approximately RMB167,612,000 at the issue date. The bondholder has the option to convert the bonds into fully paid shares at an initial conversion price of HK0.085 per share at any time within three years from the date of issue.

The conversion price of the convertible bonds was adjusted from HK\$0.085 per share to HK\$4.25 per share as the capital reorganisation became effective on 11 October 2010.

The conversion price of the convertible bonds was adjusted from HK\$4.25 per share to HK\$0.83 per share as result of the rights issue.

The conversion of the convertible bonds was adjusted from HK\$0.83 per share to HK\$24.9 per share after consolidation of share effective on 14 September 2011,

The company redeemed part of the convertible bonds amounting to HK\$30,000,000 (equivalent to approximately RMB25,629,000) with the consent of bond holder during the year ended 31 March 2011.

The company further redeemed part of the convertible bonds amounting to HK\$140,000,000 (equivalent to approximately RMB116,426,000) with the consent of bond holder during the period ended 30 September 2011. There is no conversion of 3% coupon bonds II during the both periods. The outstanding amount of the 3% coupon bonds II is HK\$40 million as at the end of the reporting period.

The carrying amount of convertible bonds was as follows:

	3% coupon bonds I	3% coupon bonds II	Zero coupon bonds	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 April 2010	66,428	–	–	66,428
Proceeds received/ fair value at date of issued	–	167,612	85,425	253,037
Redemption	–	(25,629)	–	(25,629)
Conversion	(67,866)	–	(85,190)	(153,056)
Fair value change	668	17,476	(7,262)	10,882
Exchange difference	770	(11,779)	7,027	(3,982)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March and 1 April 2011	–	147,680	–	147,680
Redemption	–	(116,426)	–	(116,426)
Fair value change	–	3,578	–	3,578
Exchange difference	–	(2,373)	–	(2,373)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 September 2011	–	32,459	–	32,459
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capitalization rate	<u>5.41% – 5.77%</u>	<u>5.55% – 6.13%</u>	<u>5.56% – 5.59%</u>	

18. CONVERTIBLE BONDS (continued)**iii) 3% Coupon Bonds II** (continued)

Convertible bonds of the company consisted of the liability component and embedded conversion 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.

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

As at 30 September 2011, the entire convertible bonds were measured at fair value. In determining the fair value of the entire convertible bonds, the valuer, namely Castores Magi (Hong Kong) Limited, an independent professional valuer, which has among its staff members possessing recognised and relevant professional qualifications and experience, had assessed the value of financial liability which is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows on the same terms. For the conversion option, Black-Scholes model had been used.

19. SHARE CAPITAL

	At 30 September 2011		At 31 March 2011	
	No. of shares '000	Amount RMB'000	No. of shares '000	Amount RMB'000
Authorised				
Ordinary shares of HK\$0.001 each				
Beginning of period/year	10,000,000	17,799	30,000,000	266,996
Share consolidation I (note i)	—	—	(24,000,000)	—
Ordinary shares of HK\$0.05 each				
after the share consolidation	—	—	6,000,000	266,996
Share subdivision (note ii(a))	—	—	14,994,000,000	—
Reduction of capital (note ii(b))	—	—	(14,500,000,000)	(249,197)
Share consolidation II (note ii(c))	—	—	(490,000,000)	—
Ordinary shares of HK\$0.001 each the end of year	10,000,000	17,799	10,000,000	17,799
Share consolidation III (note ix)	(9,666,667)	—	—	—
Ordinary shares of HK\$0.03 each at the end of period	333,333	17,799	10,000,000	17,799

19. SHARE CAPITAL (continued)

	At 30 September 2011		At 31 March 2011	
	No. of shares '000	RMB'000	No. of shares '000	RMB'000
Issued and fully paid				
At the beginning of period/year	165,815	2,833	4,542,909	40,406
Placing and subscription of new shares before share consolidation I (note iii)	-	-	1,510,000	13,340
Share consolidation I (note i)	-	-	(4,922,328)	-
Placing and subscription of new shares after share consolidation, and before capital reorganization (note iv)	-	-	640,000	28,151
Share consolidation II (note ii(c))	-	-	(2,140,114)	-
Reduction of par value in the shares (note ii(b))	-	-	-	(93,788)
Placing and subscription of new shares after capital reorganization (note v)	-	-	27,000	23
Convertible of convertible bonds (note vi)	-	-	508,348	14,701
Right issue (note vii)	4,974,493	4,176	-	-
Placing and subscription of new shares (note viii)	1,028,000	844	-	-
Share consolidation III (note ix)	(5,962,698)	-	-	-
At the end of period/year	205,610	7,853	165,815	2,833

i) Share consolidation I

On 9 July 2010, the shareholder approved the resolution for the company's then existing shares in the special general meeting under every 5 issued and unissued shares of HK\$0.01 each were to be consolidated into one consolidated share of HK\$0.05 each. The shares consolidation became effective on 12 July 2010.

ii) Capital reorganization**a) Share subdivision**

On 8 October 2010, the shareholders approved the subdivision of each authorized but unissued share into 2,500 subdivided shares of HK\$0.00002 each in the special general meeting. The share consolidation became effective on 11 October 2010.

b) Reduction of capital

On 8 October 2010, the shareholders approved a reduction in the par value of the company's shares in a special general meeting from HK\$0.05 to HK\$0.00002 by cancelling the amount of HK0.04998 on each issued and paid-up share. The share consolidation became effective on 11 October 2010.

19. SHARE CAPITAL *(continued)***ii) Capital reorganization** *(continued)***c) Share consolidation II**

On 8 October 2010, the shareholders approved resolution for the consolidation of the company's then existing shares in a special general meeting under which every 50 issued and unissued shares of HK\$0.00002 each were to be consolidated into one consolidated share of HK\$0.01 each. The share consolidation became effective on 11 October 2010.

iii) Placing and subscription of new shares 2011 before share consolidation I

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 placees. 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 2011. The proceeds of the share subscription, are approximately HK\$42,840,000 (equivalent to approximately RMB37,912,000).

On 27 May 2010, Ms. Yu, the company and the Placing Agent entered into a placing agreement pursuant to which the Placing Agent agreed to place 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 RMB24,283,000).

On 17 June 2010, Ms. Yu, the company and the Placing Agent entered into a placing agreement pursuant to which the placing agent agreed to place 500,000,000 placing shares at the price of HK\$0.039 per placing share to not less than six independent places. 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 amounted to approximately HK\$19,500,000 (equivalent to approximately RMB17,210,000).

The total net proceeds of the above share subscription, after deduction of the relevant expenses amounted to approximately HK\$86,597,000 (equivalent to approximately RMB76,538,000).

19. SHARE CAPITAL *(continued)*

iv) Placing and subscription of new shares 2011 after share consolidation, and before capital reorganization

On 5 August 2010, Ms. Yu, the company and the Placing Agent entered into a placing agreement pursuant to which, the Placing Agent agreed to place 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 entered into between Ms. Yu and the company on the same date, Ms. Yu subscribed for such number of new shares as equaled 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, the company also entered into a new share placing agreement with the Placing Agent pursuant to which the Placing Agent agreed to place 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.

The proceeds of the shares subscription of 280,000,000 shares amounted to approximately HK\$21,280,000 (equivalent to approximately RMB18,683,000).

On 6 September 2010, the company entered into the placing agreement with the Placing Agent pursuant to which the Placing Agent agreed to place 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. The proceeds of the shares subscription, are approximately HK\$20,160,000 (equivalent to approximately RMB17,762,000).

The total net proceeds of the above share subscription, after deductions of the relevant expenses amounted to approximately HK\$39,868,000 (equivalent to RMB35,063,000).

v) Placing and subscription of new shares 2011 after capital reorganization

On 27 January 2011, the company entered into a placing agreement with the Pico Zeman Securities (HK) Limited ("second Placing Agent") pursuant to which the second Placing Agent agreed to place to not less than six independent placees for up to 27,000,000 new shares at a price of HK\$0.405 per placing share. The proceeds of the shares subscription amounted to approximately HK\$10,935,000 (equivalent to approximately RMB9,221,000).

The total net proceeds of the above share subscription, after deduction of the relevant expenses amounted to approximately HK\$10,607,000 (equivalent to approximately RMB8,943,000).

19. SHARE CAPITAL *(continued)***vi) Conversion of convertible bonds****3% coupon bonds I**

During the year ended 31 March 2011, 100,000,000, 200,000,000, 113,207,547, 4,400,000 and 6,400,000 ordinary shares of HK\$0.01, HK\$0.01, HK\$0.05, HK\$0.001 and HK0.001 each were issued pursuant to the exercise of the conversion rights attached to the company's 3% coupon bonds I at a conversion price of HK\$0.06 per share, HK\$0.165 per share, HK\$0.106 per share, HK\$2.5 per share and HK2.5 per share respectively. The bondholder converted 3% coupon bonds I amounting to HK\$6,000,000 (equivalent to approximately RMB5,293,000), HK\$33,000,000 (equivalent to approximately RMB28,935,000), HK\$12,000,000 (equivalent to approximately RMB10,536,000), HK\$11,000,000 (equivalent to approximately RMB9,424,000) and HK\$16,000,000 (equivalent to approximately RMB13,678,000).

For the year ended 31 March 2011, the 3% coupon bonds I bondholder converted total 424,007,547 ordinary shares.

Zero coupon bonds II

For the zero coupon bonds II, 34,340,657 and 50,000,000 ordinary shares of HK\$0.001, each were issued pursuant to the exercise of the conversion rights attached to the company's zero coupon bonds II at a conversion price of HK\$1.456 per share and HK\$1 per share respectively.

The bondholder converted zero coupon bonds II amounting to HK\$48,200,000 (equivalent to approximately RMB42,770,000), and HK\$48,410,000 (equivalent to approximately RMB42,655,000).

For the year ended 31 March 2011, the zero coupon bonds II bondholder converted total 84,340,657 ordinary shares.

vii) Rights issue

On 21 April 2011, the company raise approximately HK\$338.27 million, before expenses, by issuing 4,974,493,440 Rights Shares to the Qualifying Shareholders by way of Rights Issue at subscription price of HK\$0.068 per Rights Share on the basis of thirty (30) Rights Shares for every one (1) then existing Share.

viii) Placing and subscription of new shares

On 15 August 2011, the company and United Simsen Securities Limited, (the "Placing Agent") entered into a placing agreement pursuant to which the Placing Agent agreed to place up to 1,028,000,000 new shares at the price of HK\$0.027 to not less than 6 independent places.

On 23 August 2011, the company entered into a supplemental agreement with the Placing Agent in respect of the Placing, pursuant to which the placing price of HK\$0.027 per placing share was amended and replaced by the new placing price of HK\$0.022 per placing share. Save as and except for the change of the placing price, all the terms and conditions of the placing agreement remain unchanged.

ix) Share consolidation III

On 12 September 2011, the shareholder approved the resolution for the company's share consolidation, on which every 30 issued and unissued shares of HK\$0.001 each be consolidated into 1 consolidated share of HK\$0.03 each. The share consolidation became effective on 14 September 2011.

20. 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:

Date of grant	Exercisable period	Exercise price	Number of shares issuable under options
i) Options granted to directors			
30 October 2002	30 October 2002 to 29 October 2012	HK\$0.01	214,850,000
28 November 2007	28 November 2007 to 3 October 2012	HK\$0.60	91,160,000
			306,010,000
ii) Options granted to employees			
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 2012	HK\$0.60	141,080,000
			244,580,000
			550,590,000

20. SHARE OPTION SCHEME (continued)

For the period ended 30 September 2011

Name or category of participant	Number of shares issuable under options							Date of grant of share options*	Exercisable period of share options	Exercisable price of share options**	
	Outstanding at 1 April 2011	Granted during the year	Effect of adjustment right during issue year***	Exercise during the year	Forfeited during the year	Expired during the year	Outstanding at 30 September 2011				
Directors											
Ms. Yu Wai Fong	70,540	-	291,683	(350,149)	-	-	-	12,074	28-11-2007	28-11-2007 to 03-10-2012	876.3
Mr. Au Tat On	70,540	-	291,683	(350,149)	-	-	-	12,074	28-11-2007	28-11-2007 to 03-10-2012	876.3
	<u>141,080</u>	<u>-</u>	<u>583,366</u>	<u>(700,298)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,148</u>			
Employees											
Other employees	141,080	-	583,366	(700,298)	-	-	-	24,148	28-11-2007	28-11-2007 to 03-10-2012	876.3
	<u>141,080</u>	<u>-</u>	<u>583,366</u>	<u>(700,298)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,148</u>			
Total shares issued under options	<u>282,160</u>	<u>-</u>	<u>1,166,732</u>	<u>(1,400,596)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,296</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 on 14 September 2011, the exercise price and the total number of shares to be issued upon exercise of the outstanding options were adjusted to HK\$876.3 and 48,296 shares respectively.

20. SHARE OPTION SCHEME (continued)

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

	30 September 2011		31 March 2011	
	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	150	282,160	0.6	70,540,000
Effect of right issue	-	1,166,732	-	-
Effect of share consolidation (i)	876.3	(1,400,596)	3	(56,432,000)
Effect of capital reorganization	-	-	150	(13,825,840)
Outstanding at the end of period/year	876.3	48,296	150	282,160
Issuable at the end of the period/year	876.3	48,296	150	282,160
Exercisable at end of the period/year	876.3	48,296	150	282,160

- i) The exercise price and the number of shares to be issued under the share option scheme have been adjusted to HK\$876.3 and 48,296,000 new shares after the consolidation of shares on the basis of every 30 issued and unissued shares of HK\$0.001 each be consolidated into one consolidated share of HK\$0.03 each.
- ii) The weighted average share price at the date of exercise of share options during the period/year was HK\$Nil (2010: HK\$Nil) since no share option was exercised during the period/year.
- iii) The options outstanding at 30 September 2011 had an exercise price of HK\$876.3 (31 March 2011: HK\$150) per share and a weighted average remaining contractual life of 1.3 years (31 March 2011: 1.9 years).

21. RELATED PARTY TRANSACTIONS

The group had the following transactions with related parties during the six months ended 30 September 2011.

21. RELATED PARTY TRANSACTIONS (continued)**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 2011 was as follows:

	Six months ended 30 September 2011 (Unaudited) RMB'000	Six months ended 30 September 2010 (Unaudited) RMB'000
Salaries and other benefits	2,565	1,904
Contribution to retirement benefit scheme	34	31
	<u>2,599</u>	<u>1,935</u>

b) Outstanding balances with related parties

	At 30 September 2011 (Unaudited) RMB'000	At 31 March 2011 (Audited) RMB'000
Amount due from a related party	123	–
Amounts due to a related party	<u>(12,045)</u>	<u>(7,493)</u>

The amount represented the advance from/(to) a director of a subsidiary in 2011. The balances with these related parties are unsecured, interest-free and have no fixed terms of repayment.

22. 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:

	At 30 September 2011 (Unaudited) RMB'000	At 31 March 2011 (Audited) RMB'000
Within one year	7,200	5,344
In the second to fifth year, inclusive	29,430	21,593
Over five years	<u>58,269</u>	<u>26,773</u>
	<u>94,899</u>	<u>53,710</u>

22. 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 non-cancellable operating leases falling due as follows:

	At 30 September 2011 (Unaudited) RMB'000	At 31 March 2011 (Audited) RMB'000
Within one year	2,439	3,382
In the second to fifth years, inclusive	8,187	8,703
Over five years	8,006	8,734
	18,632	20,819

23. LITIGATION

In 1998, the company instituted 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.

24. NON-ADJUSTING POST BALANCE SHEET EVENT

On 31 October 2011 and 8 November 2011, the Company had further early redeemed part of the convertible bonds in the amount of HK\$10 million and HK\$10 million respectively. The outstanding amount of the convertible bonds is HK\$20 million.

25. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved and authorised for issue by the board on 29 November 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the period under review, the group continued to engage in its principal business activities, including the properties investment business and the investment activities for the exploitation of copper and molybdenum in a mine (“Mine”) located in the Inner Mongolia, the PRC.

As at 30 September 2011, 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.

For the mining business, The mining company (“Mining Company”), being the subsidiary of the company entered into a co-operation agreement (“Cooperation Agreement”) with an independent contractor (“Contractor”) in June 2011 for development of the Mine. The Mining Company agreed to provide the Contractor with the mineral resources of the Mine and all required information related to the procedures of mine construction and processing. The Contractor is responsible for the construction of mining and processing equipment, infrastructure and other ancillary facilities. After completion of the construction, the Contractor will further account for the operation of the Mine. The term of the Cooperation Agreement is 15 years and it can be renewed with the mutual agreement between the Mining Company and the Contractor. Details of which are set out in the announcement of the company dated 22 June 2011. The Mine is still in the development stage and thus has not yet contributed any operational turnover to the group during the period under review. The expenditure incurred on the mining development for the period ended 30 September 2011 was approximately RMB1.9 million (2010: approximately RMB0.4 million).

Financial Review

For the period under review, the group’s turnover was approximately RMB1.3 million (2010: approximately RMB1.6 million), representing an decrease of approximately 18.9% 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 RMB14.4 million (2010: approximately RMB6.6 million) and the loss per share was RMB0.09 (2010: RMB1.41). The increase in loss for the period was mainly attributable to change in fair value of the convertible bonds and increase in administration and operating expenses of the group.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review (continued)

The administrative and operating expenses of the group for the period amounted to approximately RMB19 million, representing an increase of approximately 47% compared with the same period last year, of which such increase was mainly attributable to the development cost and administrative expenses in the mining business amounted to approximately RMB2.7 million (2010: RMB0.4 million) and other administrative expenses amounted to approximately RMB16.3 million (2010: approximately RMB12.5 million). The finance cost of the group amounted to approximately RMB2.1 million which was incurred for the bank loans under the security of investment properties in Shanghai and the interest on convertible bonds.

Liquidity and Financial Resources

As at 30 September 2011, the group's net current assets were approximately RMB125 million (at 31 March 2011: net current liabilities approximately RMB22.2 million), including cash and bank balance of approximately RMB119 million (at 31 March 2011: approximately RMB5.9 million).

The group had bank borrowings of RMB54 million as at 30 September 2011 (at 31 March 2011: RMB55.5 million). The borrowings were bank loans under security, of which 3.7% were due within one year from balance sheet date, 7.4% were due more than one year but not exceeding two years, 38.9% were due more than two years but not exceeding five years and 50% were due more than five years. The gearing ratio, defined as the percentage of total debts to the total equity of the company, was approximately 9.9% (at 31 March 2011: 33.6%).

Investment Position

The group did not have any significant investment position in stocks, bonds and other financial derivatives as at 30 September 2011.

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

On 13 October 2010, the company issued redeemable convertible bonds (“**Convertible Bonds**”) in the principal amount of HK\$210 million at the interest rate of 3% per annum. During the period under review, the company early redeemed part of the Convertible Bonds in the aggregate amount of HK\$140 million and there was no convertible shares being issued under the Convertible Bonds. As at 30 September 2011, the principal amount of the outstanding Convertible Bonds was HK\$40 million.

On 4 May 2011, the company issued 4,974,493,440 new shares under the right issue exercise on the basis of thirty right shares for every one existing issued share at the subscription price of HK\$0.068 per right share.

On 30 August 2011, the company issued 1,028,000,000 new shares at HK\$0.022 per share under the placing agreement dated 15 August 2011 and supplement agreement to placing agreement dated 23 August 2011.

Save as disclosed above, there was no change in the capital structure of the company for the period ended 30 September 2011.

Charges on group's Assets

As at 30 September 2011, the group's investment properties with a value of approximately RMB210.3 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 2011, the group did not have any material contingent liability (2010: Nil).

Acquisition and Disposal of Subsidiaries

There was no acquisition and disposal of subsidiaries of the group during the period ended 30 September 2011.

Employees

As at 30 September 2011, the group had 41 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

Going forward, the group will continue to focus on the principal activities of properties investment and mining business. In the meantime, we will look for other investment opportunities in any other steam in the long run, including but not limit to petroleum business.

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 2011.

DIRECTORS' INTEREST AND SHORT POSITIONS IN SHARES

As at 30 September 2011, 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	2,118,871	1.03%

Save as disclosed above, as at 30 September 2011, 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 20 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 2011, so far as was known to the directors of the company, no person being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the company, was recorded in the register kept by the company 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 2011, 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. Lai Wai Yin Wilson, Ms. Cao Jie Min and Mr. Tse Kwong Wah. 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 2011 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 2011