



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 2012

* For identification purposes only

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

Clarendon House

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Hamilton HM11

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Lippo Centre, Tower Two

89 Queensway Road

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HONG KONG SHARE REGISTRAR

Tricor Secretaries Limited

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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 interim results of the company and its subsidiaries (together the “group”) for the six months ended 30 September 2012, together with the comparative figures of the corresponding period last year as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

	Notes	Six months ended 30 September 2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Turnover	6	4,822	1,334
Cost of sales		<u>(1,282)</u>	<u>(1,190)</u>
		3,540	144
Valuation (loss)/gains on investment properties		(5,819)	11,947
Other revenue	7(a)	578	1,097
Other net income	7(b)	(16)	(49)
Administrative expenses		(20,743)	(17,634)
Exploration and development expenses of mine		(960)	(1,317)
Other operating expenses	8(d)	<u>–</u>	<u>(3,578)</u>
Loss from operations		<u>(23,420)</u>	<u>(9,390)</u>
Finance costs	8(a)	<u>(1,986)</u>	<u>(2,067)</u>
Loss before taxation	8	(25,406)	(11,457)
Income tax	9(a)	<u>1,455</u>	<u>(2,987)</u>
Loss for the period		<u><u>(23,951)</u></u>	<u><u>(14,444)</u></u>
Attributable to:			
Owners of the company		(23,677)	(14,157)
Non-controlling interests		<u>(274)</u>	<u>(287)</u>
Loss for the period		<u><u>(23,951)</u></u>	<u><u>(14,444)</u></u>
		RMB	RMB (restated)
Loss per share	11		
– Basic		<u><u>(0.07)</u></u>	<u><u>(0.07)</u></u>
– Diluted		<u><u>(0.07)</u></u>	<u><u>(0.07)</u></u>

The notes on pages 7 to 30 form part of this condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

	Six months ended	
	30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Loss for the period	(23,951)	(14,444)
Other comprehensive loss for the period		
Exchange differences on translation of financial statements of group entities outside the PRC	(576)	(7,360)
Total other comprehensive loss for the period, net of nil tax	(576)	(7,360)
Total comprehensive loss for the period	(24,527)	(21,804)
Attributable to:		
Owners of the company	(24,253)	(21,517)
Non-controlling interests	(274)	(287)
Total comprehensive loss for the period	(24,527)	(21,804)

The notes on pages 7 to 30 form part of this condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2012

	Notes	30/9/2012 (Unaudited) RMB'000	31/3/2012 (Audited) RMB'000
Non-current assets			
Plant and equipment	12	12,267	14,595
Investment properties	13	191,838	197,656
Intangible assets	14	259,000	259,000
Deposit for acquisition of subsidiaries	15	120,042	120,479
		<u>583,147</u>	<u>591,730</u>
Current assets			
Trade and other receivables	16	10,675	4,131
Trading securities		103	120
Cash and cash equivalents	17	41,205	64,819
		<u>51,983</u>	<u>69,070</u>
Current liabilities			
Other payables		18,452	24,073
Interest-bearing bank borrowings		4,000	4,000
		<u>22,452</u>	<u>28,073</u>
Net current assets		<u>29,531</u>	<u>40,997</u>
Total assets less current liabilities		<u>612,678</u>	<u>632,727</u>
Non-current liabilities			
Interest-bearing bank borrowings		46,000	48,000
Deferred tax liabilities	9(b)	9,517	10,971
		<u>55,517</u>	<u>58,971</u>
NET ASSETS		<u>557,161</u>	<u>573,756</u>
EQUITY			
Equity attributable to owners of the company			
Share capital	18	10,941	7,333
Reserves		522,282	542,211
		<u>533,223</u>	<u>549,544</u>
Non-controlling interests		23,938	24,212
TOTAL EQUITY		<u>557,161</u>	<u>573,756</u>

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

	Share capital	Share premium	Special reserve	Employee share-based compensation reserve	Exchange fluctuation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 April 2012	7,333	971,524	(56,225)	16,632	22,531	(412,251)	549,544	24,212	573,756
Right issue	3,608	4,569	-	-	-	-	8,177	-	8,177
Share issues expenses	-	(245)	-	-	-	-	(245)	-	(245)
Total comprehensive loss for the period	-	-	-	-	(576)	(23,677)	(24,253)	(274)	(24,527)
At 30 September 2012 (Unaudited)	10,941	975,848	(56,225)	16,632	21,955	(435,928)	533,223	23,938	557,161
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

The notes on pages 7 to 30 form part of this condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

	Six months ended	
	2012	2011
	RMB'000	RMB'000
Net cash used in operating activities	(27,873)	(63,907)
Net cash generated from/(used in) investing activities	312	(19)
Net cash generated from financing activities	3,947	176,974
Net (decrease)/increase in cash and cash equivalents	(23,614)	113,048
Cash and cash equivalents at beginning of period	64,819	5,943
Cash and cash equivalents at end of period	41,205	118,991
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	41,205	118,991

The notes on pages 7 to 30 form part of this condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

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 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 2012 have been prepared in accordance with the applicable disclosure provision of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, 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 2012, 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 annual financial statements, and should be read in conjunction with the financial statements of the group for the year ended 31 March 2012.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the group and the company. There have been no significant changes to the accounting policy applied in these financial statements for the periods as a result of the developments.

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 group's most senior executive management ("CODM") for the purposes of resource allocation and performance assessment.

The CODM considers 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 property investment segment and the investing in mining activities segment offer very different products and services.

i) Properties investment

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

ii) Investing in mining activities

The investing in mining activities reportable segment derives its revenue from the cooperation of the exploitation of copper and molybdenum mines with third party.

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 liabilities attributable to each reportable segment on the following bases:

The accounting policies of the reportable segments are the same as the group's accounting policies. 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.

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. All liabilities are allocated to reportable segments other than current tax liabilities and corporate liabilities.

4. SEGMENT REPORTING (continued)

a) Segment results, assets and liabilities (continued)

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 period is set out below.

	Six months ended 30 September 2012 (Unaudited)			Six months ended 30 September 2011 (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	4,822	–	4,822	1,334	–	1,334
Reportable segment revenue	4,822	–	4,822	1,334	–	1,334
Reportable segment (loss)/ profit before taxation	(7,355)	(3,713)	(11,068)	7,418	(2,699)	4,719
Interest income	1	1	2	3	–	3
Depreciation	(342)	(1,614)	(1,956)	(380)	(819)	(1,199)
Income tax credit/(expenses)	1,455	–	1,455	(2,987)	–	(2,987)
Finance costs	(1,986)	–	(1,986)	(2,067)	–	(2,067)
Reportable segment assets	197,185	266,980	464,165	203,456	268,525	471,981
Additions to non-current segment assets	35	4	39	842	368	1,210
Reportable segment liabilities	52,792	15,216	68,008	55,408	19,832	75,240
Deferred tax liabilities	9,517	–	9,517	10,971	–	10,971
Total liabilities	62,309	15,216	77,525	66,379	19,832	86,211

4. SEGMENT REPORTING (continued)

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

	Six months ended	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Total reportable segments' revenues	4,822	1,334
Elimination of inter-segment revenue	—	—
Consolidated turnover	<u>4,822</u>	<u>1,334</u>
Profit/(loss)		
Total reportable segments' (loss)/profit	(11,068)	4,719
Unallocated corporate income	6	530
Depreciation	(402)	(943)
Interest income	350	564
Finance costs	—	—
Unallocated corporate expenses	(14,292)	(16,327)
Consolidated loss before taxation	<u>(25,406)</u>	<u>(11,457)</u>
Assets		
Total reportable segments' assets	464,165	471,981
Unallocated corporate assets	170,965	188,819
Consolidated total assets	<u>635,130</u>	<u>660,800</u>
Liabilities		
Total reportable segments' liabilities	(77,525)	(86,211)
Unallocated corporate liabilities	(444)	(833)
Consolidated total liabilities	<u>(77,969)</u>	<u>(87,044)</u>

4. SEGMENT REPORTING (continued)

c) Revenue from major services

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

	Six months ended	
	30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Properties investment	<u>4,822</u>	<u>1,334</u>
	<u><u>4,822</u></u>	<u><u>1,334</u></u>

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 property, intangible assets and deposit for acquisition of subsidiary. The geographical location of plant and equipment and investment property 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.

	Revenue from		Non-current	
	external customers		assets	
	Six months	Six months	As at	As at
	ended	ended	30 September	31 March
	2012	2011	2012	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	RMB'000	RMB'000	RMB'000	RMB'000
Hong Kong (place of domicile)	–	–	123,334	124,179
PRC	<u>4,822</u>	<u>1,334</u>	<u>459,813</u>	<u>467,551</u>
	<u><u>4,822</u></u>	<u><u>1,334</u></u>	<u><u>583,147</u></u>	<u><u>591,730</u></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 rental income from investment properties. The amount of each significant category of revenue recognised in turnover during the period is as follows:

	Six months ended 30 September	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Rental income from investment properties	<u>4,822</u>	<u>1,334</u>

7. OTHER REVENUE AND OTHER NET INCOME

	Six months ended 30 September	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
a) Other revenue		
Interest income on loan receivables	329	–
Interest income on bank deposits	<u>23</u>	<u>567</u>
Total interest income on financial assets not at fair value through profit or loss	352	567
Sundry income	<u>226</u>	<u>530</u>
	578	1,097
b) Other net income		
Fair value loss on trading securities	<u>(16)</u>	<u>(49)</u>
	<u>562</u>	<u>1,048</u>

8. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting) the followings:

	Six months ended	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
a) Finance costs		
Interest expenses on bank borrowings not wholly repayable within five years	<u>1,986</u>	<u>2,067</u>
Total interest expense on financial liabilities not at fair value through profit or loss	<u>1,986</u>	<u>2,067</u>
b) Staff costs (including directors' remuneration)		
Salaries, wages and other benefits	<u>6,392</u>	4,226
Contribution to defined contribution retirement plans	<u>316</u>	<u>310</u>
	<u>6,708</u>	<u>4,536</u>
c) Other items		
Operating lease charges: minimum lease payments	<u>1,915</u>	1,440
Depreciation	<u>2,358</u>	2,142
Gross rental income from investment properties less direct outgoings of RMB1,282,000 (2011: RMB1,190,000)	<u>(3,540)</u>	(144)
Exploration and development expenses of mine	<u>960</u>	<u>1,317</u>
d) Other operating expenses		
Fair value loss on convertible bonds	<u>-</u>	<u>3,578</u>

9. INCOME TAX

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

	Six months ended	
	30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current tax		
Hong Kong profits tax	-	-
Overseas tax calculated at rates prevailing in relevant jurisdiction	-	-
	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of temporary difference	1,455	(2,987)
	<u>1,455</u>	<u>(2,987)</u>
Tax charges	<u>1,455</u>	<u>(2,987)</u>

Note:

i) Hong Kong profits tax

No provision for Hong Kong profits tax has been provided for the period ended 30 September 2012 as the group has no estimated assessable profits for the period (2011: RMBNil).

ii) The PRC enterprise income tax ("EIT") for the period ended 30 September 2012 is 25% (2011: 25%). 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 of the company in mainland China during the period ended 30 September 2012 is approximately RMB1,455,000 (2011: approximately RMB2,987,000).

9. INCOME TAX (continued)

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

	At 30 September 2012 (Unaudited) RMB'000	At 31 March 2012 (Audited) RMB'000
Deferred tax (credited)/charged to the income statement (note 9(a))	<u><u>(1,455)</u></u>	<u><u>3,049</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 RMB23,677,000 (2011: RMB14,157,000) and on the weighted average number of 358,034,000 ordinary shares in issue during the period (2011: 189,345,000 ordinary shares).

Weighted average number of ordinary shares:

	2012 Weighted average number of ordinary shares '000	2011 Weighted average number of ordinary shares '000
		(restated)
Issued ordinary shares at 1 April*	344,350	124,211
Effect of issue of new shares by placement	–	207,849
Effect of issue of new shares upon conversion of convertible bonds	–	4,550,438
Effect of thirty-for-one share consolidation (note 18(ii))	–	(4,693,153)
Effect of right issue (note 18(viii))	<u><u>13,684</u></u>	<u><u>–</u></u>
Weighted average number of ordinary shares at the end of the period	<u><u>358,034</u></u>	<u><u>189,345</u></u>

11. LOSS PER SHARE *(continued)*

a) Basic loss per share *(continued)*

- * The number of ordinary shares for the six months ended 30 September 2012 has been adjusted to take into account the retrospective adjustment to the number of shares outstanding before the rights issue which was completed on 24 September 2012 to reflect the bonus element inherent in the rights issue.

The number of ordinary shares for the six months ended 30 September 2011 has been adjusted to take into account the retrospective adjustment to the number of shares outstanding before the rights issue which was completed on 21 April 2011 and 24 September 2012 respectively 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 share options had an anti-dilutive effect on the basis loss per share for both periods presented.

12. PLANT AND EQUIPMENT

During the six months ended 30 September 2012, the group acquired plant and equipment at a cost of approximately RMB39,000 (31 March 2012: approximately RMB4,008,000).

13. INVESTMENT PROPERTIES

All of the group's investment properties were revalued on 30 September 2012 and 31 March 2012 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 which had been revalued on an open market basis.

All of the group's investment properties were pledged to secure general banking facilities granted to the group.

The fair value of the investment properties were approximately RMB191,838,000 on 30 September 2012 (31 March 2012: approximately RMB197,656,000).

14. INTANGIBLE ASSETS

	RMB'000
Cost	
At 1 April 2011	499,398
Addition	<u>350</u>
At 31 March 2012, 1 April 2012 and 30 September 2012	<u>499,748</u>
Accumulated impairment	
At 1 April 2011	–
Charge for the year	<u>240,748</u>
At 31 March 2012, 1 April 2012 and 30 September 2012	<u>240,748</u>
	(Unaudited)
Carrying amount	
At 30 September 2012	<u><u>259,000</u></u>
	(Audited)
At 31 March 2012	<u><u>259,000</u></u>

- a) In year 2010, the group acquired the subsidiaries which hold the mining rights for the exploitation of copper and molybdenum 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 in a development stage and no mining activities are conducted up to the end of the reporting period.

14. INTANGIBLE ASSETS (continued)

- c) At 30 September 2012, the recoverable amounts of cash generate units for the mining right was based on valuation performed by Roma Appraisals Limited, an independent firm of professionally qualified valuers, using discounted cash flow method under an income approach. In the opinion of the company's directors, no reversal of impairment is required since its fair value as at 30 September 2012 approximated to its carrying amount of RMB259,000,000.

As at 31 March 2012, the group determined the recoverable amounts of cash generate unit for the mining rights based on value in use calculation. That calculation used cash flows projections based on financial budgets as approved by management at pre-tax discount of 16.94% with reference to the valuation performed by Roma Appraisals Limited, who is an independent firm of professionally qualified valuers and has a recognised and relevant professional qualification and experiences in the category of mining, as at 31 March 2012. As a result, the recoverable amount of the cash generate unit for the mining rights were below their carrying amount, impairment losses of approximately RMB240,748,000 have been recognised to profit and loss. The decrease in the recoverable amounts of cash generate units for the mining rights for the year ended 31 March 2012 was mainly due to the decrease in the recent market price and the growth rate of copper and molybdenum and the income expected to be generated from the mine decreased.

- d) The group's mining right at 30 September 2012 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) During the year ended 31 March 2012, the group renewed the mining rights up to 17 November 2014.

In accordance with the relevant laws and regulations of the PRC, the group has the right to apply for further extension upon expiration of the mining license.

15. DEPOSIT FOR ACQUISITION OF SUBSIDIARIES

On 21 June 2010, the company entered into the Memorandum of Understanding (“MOU of Pure Power”) with certain independent third parties in relation to the possible acquisition of the 100% equity interest in Pure Power Holdings Limited (“Pure Power”) which owns a 100% equity interest in Bright Sky Energy & Minerals, INC (“Bright Sky”), a company incorporated in Nevada, USA. Bright Sky is the holder of three leases with exploration and exploitation rights for oil and gas assets in Nevada, USA. The equity interest of the 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 2 November 2012, the group has to settle the balance of the deposit of US\$131 million (equivalent to approximately RMB860 million) before 20 December 2012.

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 period. 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 sellers 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 2012. The company obtained the indemnity letter from the major shareholder of Pure Power, who guarantees to the company to repay the deposit to the company if the transaction is default.

As at the date of the report, the group has not yet arranged financing for the payment of the balance of the deposit of US\$131 million (equivalent to approximately RMB860 million). The directors of the company considered that as they are still in negotiation with the vendors for the terms and conditions of the possible acquisition, 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 2012 (Unaudited) RMB'000	At 31 March 2012 (Audited) RMB'000
Current 3 months overdue	2,418	1,986
More than 3 months but less than 12 months overdue	–	–
Trade receivables (net)	2,418	1,986
Loan receivables (note 1)	46,724	41,054
Less: impairment (note 1)	(41,054)	(41,054)
Loan receivables (net)	5,670	–
Other receivables	1,150	797
Loan and receivables	9,238	2,783
Prepayment and deposits	1,437	1,348
	<u>10,675</u>	<u>4,131</u>

Note 1 Loan receivable I

On 27 July 2011, the company entered into a participation deed with the Simsen Capital Finance Limited (“**Simsen**”) and the sub-participation agreement with Power Alliance International Limited respectively in relation to the participation of the advancement of the first participation amount of HK\$42,000,000 and second participation amount of HK\$8,000,000 (together the “**Participation Loans**”). The interest rate for Participation Loans was 18% per annum. The Participation Loans are in association with a loan agreement (the “**Loan Agreement**”) between Simsen and Make Success Limited (“**Borrower**”). The Borrower has assigned a promissory note of HK\$300,000,000 (the “**PN**”) and a convertible note of HK\$90,000,000 (the “**CN**”) as security to Simsen under the Loan Agreement. The PN and CN were issued by Mayer Holdings Limited (“**Mayer**”) to the Borrower.

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 drawn 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. The Borrower had defaulted the first and second payments during the year ended 31 March 2012.

16. TRADE AND OTHER RECEIVABLES (continued)Note 1 **Loan receivable I** (continued)

Due to the litigation between Mayer and the Borrower, Simsen disposed the PN on 10 February 2012 in the amount of HK\$10,000,000 with the consent of the company. The company anticipates that after the payment of all costs and expenses incurred in connection with the disposal, the portion that will be repaid to the company by Simsen is approximately HK\$5.7 million which will be applied to settle part of the accrued interest. Due to the uncertain outcome of the litigation, Simsen had not yet confirmed and repaid the disposal amount to the company. Therefore, the company had not yet recognised the amount as income for the year ended 31 March 2012.

As at 31 March 2012, the company engaged an independent valuer to perform the valuation on the loan receivables. The valuation performed by Castores Magi Asia Limited, an independent professional valuer, who has a recognised and relevant professional qualification and recent experience in this area. Taking into consideration the legal advice on the recoverability and the assessment of the market value of the loan receivables, the directors considered that the loan receivables of RMB41,054,000 (equivalent to HK\$50,000,000) was fully impaired.

Loan receivable II

On 15 June 2012, Triple Glory Holdings Limited (“**Triple Glory**”), a wholly owned subsidiary of the company, entered into an agreement with a borrower and an indemnifier, pursuant to which Triple Glory has agreed to lend to the borrower a secured term loan in the principal amount of HK\$7,000,000 (equivalent to approximately RMB5,670,000) repayable on 8 November 2012. The secured loan was drawn down on 18 June 2012. The loan receivable was fully settled on 8 November 2012.

17. CASH AND CASH EQUIVALENTS

	At 30 September 2012 (Unaudited) RMB'000	At 31 March 2012 (Audited) RMB'000
Cash at bank and on hand	<u>41,205</u>	<u>64,819</u>
Cash and cash equivalents in the condensed consolidated statement of financial position and condensed consolidated statement of cash flows	<u><u>41,205</u></u>	<u><u>64,819</u></u>

18. SHARE CAPITAL

	Number of ordinary shares of HK\$0.001 per share '000	Number of ordinary shares of HK\$0.03 per share '000	Total RMB'000
Authorised			
At 1 April 2011	10,000,000	–	8,593
Share consolidation (note ii)	<u>(10,000,000)</u>	<u>333,333</u>	<u>–</u>
At 31 March 2012 and 1 April 2012	–	333,333	8,593
Increased in authorised share capital (note vii)	<u>–</u>	<u>2,666,667</u>	<u>65,608</u>
At 30 September 2012	<u>–</u>	<u>3,000,000</u>	<u>74,201</u>
Issued and fully paid			
At 1 April 2011	165,815	–	2,833
Rights issue I (note iii)	4,974,493	–	4,176
Placing and subscription of new shares (note iv)	1,028,000	–	844
Share consolidation (note ii)	(6,168,308)	205,610	–
Reduction of par value in the shares and realignment of the exchange difference (note i)	–	–	(2,691)
Placing and subscription of new shares (note v)	–	40,000	978
Placing and subscription of new shares (note vi)	<u>–</u>	<u>49,000</u>	<u>1,193</u>
At 31 March 2012 and 1 April 2012	–	294,610	7,333
Rights issue II (note viii)	<u>–</u>	<u>147,305</u>	<u>3,608</u>
At 30 September 2012	<u>–</u>	<u>441,915</u>	<u>10,941</u>

18. SHARE CAPITAL *(continued)***i) 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 HK\$0.04998 on each issued and paid-up share. The reduction of capital became effective on 11 October 2010. Due to the realignment of the exchange rate, the amount of capital was adjusted during the year ended 31 March 2012.

ii) Share consolidation

On 12 September 2011, the shareholders approved the resolution for the company's share consolidation on the basis that 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.

iii) Rights issue I

On 6 April 2011, the company proposed to issue 4,974,493,440 rights shares at the subscription price of HK\$0.068 per rights share on the basis of thirty rights shares for every one existing issued share. 4,974,493,440 shares were fully issued when the rights issue was completed on 4 May 2011 and approximately HK\$338,265,000 (equivalent to approximately RMB284,017,000) was raised, before deduction of relevant expenses.

iv) Placing 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 per placing share to not less than 6 independent placees.

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. The placing of shares were completed on 30 August 2011.

The total proceeds of the above share placement, before deduction of the relevant expenses was approximately HK\$22,616,000 (equivalent to approximately RMB18,557,000).

v) Placing of new shares

On 28 September 2011, the company entered into a placing agreement with Pico Zeman Securities (HK) Limited to place up to 40,000,000 new shares at the price of HK\$0.181 each to not less than 6 independent placees. The placing of shares were completed on 10 October 2011.

The total proceeds of the above share placement, before deduction of the relevant expenses was approximately HK\$7,240,000 (equivalent to approximately RMB5,899,000).

18. SHARE CAPITAL *(continued)*

vi) Placing of new shares

On 6 January 2012, the company entered into a placing agreement with Cheong Lee Securities Limited to place up to 49,000,000 new shares at the price of HK\$0.195 each to not less than 6 independent placees. The placing of shares were completed on 16 February 2012.

The total proceeds of the above share placement, before deduction of the relevant expenses was approximately HK\$9,555,000 (equivalent to approximately RMB7,754,000).

vii) Increase in authorised share capital

By an special general meeting on 21 Aug 2012, the company's authorised share capital was increased to HK\$90,000,000 (equivalent to approximately RMB74,201,000) by the creation of an additional 2,666,667,000 ordinary shares of HK\$0.03 each.

viii) Rights issue II

On 25 July 2012, the company proposed to issue 147,305,164 rights shares at the subscription price of HK\$0.068 per rights share on the basis of one rights share for every two existing issued share. 147,305,164 shares were fully issued when the rights issue was completed on 24 September 2012 and approximately HK\$10,017,000 (equivalent to approximately RMB8,214,000) was raised before deduction of relevant expenses.

19. SHARE OPTION SCHEME

The company adopted a share option scheme ("old scheme") 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 non-controlling interest 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 Stock Exchange 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. The options give the holder the right to subscribe for ordinary shares in the company.

19. SHARE OPTION SCHEME (continued)

- a) The terms and conditions of the grants under the old scheme that existed during the period/year are as follows:

Date of grant	Exercisable period	Exercise price	Number of share issuable under options
i) Options granted to directors			
30 October 2002	30 October 2002 to 29 October 2012	RMB0.01	214,850,000
28 November 2007	28 November 2007 to 3 October 2012	RMB0.60	91,160,000
			<u>306,010,000</u>
ii) Options grant to employees			
30 October 2002	30 October 2002 to 29 October 2012	RMB0.01	103,500,000
28 November 2007	28 November 2007 to 3 October 2012	RMB0.60	141,080,000
			<u>244,580,000</u>
			<u>550,590,000</u>

19. SHARE OPTION SCHEME (continued)

a) (continued)

For the period ended 30 September 2012

Name or category of participant	Outstanding at 1 April 2012	Number of shares issuable under options					Outstanding at 30 September 2012***	Date of grant of share options*	Exercisable period of share options	Exercisable price of share options**
		Granted during the year	Effect of right issue	Exercise during the year	Forfeited during the year	Expired during the year				
Directors										
Ms. Yu Wai Fong	12,074	-	2,601	-	-	-	14,675	28-11-2007	28-11-2007 to 03-10-2012	720.99
Mr. Au Tat On	12,074	-	2,601	-	-	-	14,675	28-11-2007	28-11-2007 to 03-10-2012	720.99
	<u>24,148</u>	<u>-</u>	<u>5,202</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,350</u>			
Employees										
Other employees	24,148	-	5,202	-	-	-	29,350	28-11-2007	28-11-2007 to 03-10-2012	720.99
	<u>24,148</u>	<u>-</u>	<u>5,202</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,350</u>			
Total shares issued under options	<u>48,296</u>	<u>-</u>	<u>10,404</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,700</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.

*** All share options were forfeited upon expiry of exercisable period on 3 October 2012.

19. SHARE OPTION SCHEME (continued)

- b) The number and weighted average exercise price of share options under the old scheme are as follows:

	30 September 2012		31 March 2012	
	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	876.30	48,296	150	282,160
Effect of right issue (note i)	–	–	29.21	1,166,732
Effect of share consolidation (ii)	–	–	876.30	(1,400,596)
Effect of right issue (note iii)	720.99	10,403	–	–
Outstanding at the end of period/year	720.99	58,699	876.30	48,296
Issuable at the end of the period/year	720.99	58,699	876.30	48,296
Exercisable at end of the period/year	720.99	58,699	876.30	48,296

- i) The exercise price and the number of shares to be issued under the share option scheme have been adjusted to HK\$29.21 and 1,448,892 new shares after issuing 4,974,493,440 rights shares at the subscription price of HK\$0.068 per rights share on the basis of thirty right shares for every one existing issued share with effect from 21 April 2011.
- ii) The exercise price and the number of shares to be issued under the share option scheme have been adjusted to HK\$876.30 and 48,296 new shares after the consolidation of shares on the basis that every thirty issued and unissued shares of HK\$0.001 each were consolidated into one consolidated share of HK\$0.03 each with effect from 5 September 2011.
- iii) The exercise price and the number of shares to be issued under the share option scheme have been adjusted to HK\$720.99 and 58,699 new shares after issuing 147,350,164 rights shares at the subscription price of HK\$0.068 per rights share on the basis of one share for every two existing issued share with effect from 25 September 2012.

19. SHARE OPTION SCHEME (continued)

b) (continued)

- iv) The weighted average share price at the date of exercise of share option during the period/year was HK\$Nil (2011: HK\$Nil) since no share options was exercised during the period/year.
- v) The options outstanding at 30 September 2012 had an exercise price of HK\$720.99 (31 March 2012: HK\$876.30) per share and a weighted average remaining contractual life of 0.3 year (31 March 2012: 0.9 years).
- c) The company has passed a resolution at the special general meeting held on 16 December 2011 to terminate the Old Scheme and to approve and adopt a new scheme ("New Scheme"). Save for a few changes that have been made in the New Scheme to conform with the market practices, terms of the New Scheme and the Old Scheme are broadly similar. The terms of the New Scheme provide that in granting options under the New Scheme, the board may offer to grant any options subject to such terms and conditions in relation to the minimum period of the options to be held and/or the performance criteria to be satisfied before such options can be exercised and/or any other terms as the board may determine in its absolute discretion. The board will also have the discretion in determining the subscription price in respect of any option, provided that the relevant requirements in the Listing Rules are complied with. A summary of the terms of the New Scheme is set out in the appendix to company's circular published on 30 November 2011.

The New Scheme constitutes a share option scheme governed by chapter 17 of the Listing Rules. No option has been granted under the New Scheme for the period ended 30 September 2012.

20. RELATED PARTY TRANSACTIONS

The group had the following transactions with related parties during the six months ended 30 September 2012.

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 2012 was as follows:

	Six months ended 30 September 2012 (Unaudited) RMB'000	Six months ended 30 September 2011 (Unaudited) RMB'000
Salaries and other benefits	3,376	2,565
Contribution to retirement benefit scheme	35	34
	<u>3,411</u>	<u>2,599</u>

20. RELATED PARTY TRANSACTIONS *(continued)***b) Outstanding balances with related parties**

	At 30 September 2012 (Unaudited) RMB'000	At 31 March 2012 (Audited) RMB'000
Amounts due to directors	49	49
Amounts due to related parties	1,382	6,072

The amount due to related parties represented the advance from directors of a subsidiary. The balances with these related parties and the amounts due to directors are unsecured, interest-free and repayable on demand.

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:

	At 30 September 2012 (Unaudited) RMB'000	At 31 March 2012 (Audited) RMB'000
Within one year	7,868	7,045
In the second to fifth year, inclusive	41,629	41,350
Over five years	53,501	58,790
	102,998	107,185

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 non-cancellable operating leases falling due as follows:

	At 30 September 2012 (Unaudited) RMB'000	At 31 March 2012 (Audited) RMB'000
Within one year	5,396	3,926
In the second to fifth year, inclusive	7,193	8,916
Over five years	4,216	6,966
	<u>16,805</u>	<u>19,808</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 in that the Defendants failed to fulfill their underwriting obligations thereunder and for the recovery of 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 in the legal proceedings served a notice to inspect documents to those acting for the Defendants.

23. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved and authorised for issue by the board on 26 November 2012.

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 exploitation of copper and molybdenum in a mine ("Mine") located in the Inner Mongolia, the PRC.

As at 30 September 2012, the aggregate gross floor area of the investment properties being held by the group was approximately 7,004 square meters, all of which were leased to third parties under operating leases with lease terms ranging up to twelve years.

For the mining business, the construction of the Mine is still in progress and thus it 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 2012 was approximately RMB0.96 million.

On 3 April 2012, an indirectly wholly-owned subsidiary of the company has been granted a money lenders licence by the licensing court in Hong Kong to carry on business as a money lender in Hong Kong. We consider that it is in the interests of the shareholders of the company as a whole for the group to diversify its business scope with a view to achieving better shareholders' return and that money lending business is a valuable business opportunity to the group. The group has started the money lending business during the period which made certain contribution to the interim results of group. Details of the loan made by the group which constituted a notifiable transaction to the company under the Listing Rules have been set out in the published announcement of the Company dated 15 June 2012. As the money lending business is still at the early stage of operation, it has not been classified as a principal business activity of the group for the period under review.

Financial Review

For the period under review, the group's turnover was approximately RMB4.8 million (2011: approximately RMB1.3 million), representing an increase of approximately 269% compared with the same period last year. The increase in turnover was mainly due to the rearrangement of certain operating leases. The unaudited net loss for the period under review was approximately RMB24.0 million (2011: approximately RMB14.4 million) and the loss per share was RMB0.07 (2011: RMB0.07). The increase in loss for the period was mainly attributable to change in fair value of the investment properties of the group which resulted in a valuation loss of approximately RMB5.8 million (2011: valuation gain of approximately RMB11.9 million).

The administrative expenses of the group for the period amounted to approximately RMB20.7 million, representing an increase of approximately 17.6% compared with the same period last year. The finance cost of the group amounted to approximately RMB2.0 million which was incurred for the bank loan under the security of investment properties in Shanghai.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Liquidity and Financial Resources

As at 30 September 2012, the group's net current assets were approximately RMB29.5 million (at 31 March 2012: approximately RMB41.0 million), including cash and bank balance of approximately RMB41.2 million (at 31 March 2012: approximately RMB64.8 million).

The group had bank borrowing of RMB50 million as at 30 September 2012 (at 31 March 2012: RMB52 million). The borrowings were bank loan under security, of which 8% was due within one year from balance sheet date, 10% was due more than one year but not exceeding two years and 82% was due more than two years but not exceeding five years. The gearing ratio, defined as the percentage of net debts to the total equity of the company, was approximately 1.6% (at 31 March 2012: nil).

Investment Position

The group did not have any significant investment position in stocks, bonds and other financial derivatives as at 30 September 2012.

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.

Shares Capital and Capital Structure

On 24 September 2012, the company issued 147,305,164 new shares under the rights issue exercise on the basis of one rights share for every two existing issued share at the subscription price of HK\$0.068 per rights share.

Save as disclosed above, there was no change in the share capital and capital structure of the company for the period ended 30 September 2012.

Charges on group's Assets

As at 30 September 2012, the group's investment properties with a value of approximately RMB191.8 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 company.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Contingent Liabilities

As at 30 September 2012, the group did not have any material contingent liability (2011: Nil).

Acquisition and Disposal of Subsidiaries

There was no acquisition and disposal of subsidiaries of the group during the period ended 30 September 2012.

Employees

As at 30 September 2012, the group has 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.

Outlook

Going forward, the group will continue to focus on the principal activities of properties investment, mining and money lending business. In the meantime, we will look for other investment opportunities in any other streams in the long run.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the company, nor any of its subsidiaries purchased, redeemed or sold any of the company's listed securities during the six months ended 30 September 2012.

DIRECTORS' INTEREST AND SHORT POSITIONS IN SHARES

As at 30 September 2012, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (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	0.48%

Save as disclosed above, as at 30 September 2012, 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 2012, 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 as its own code of conduct regarding securities transactions by the directors. The company has also made specific enquiry of the directors and the company was not aware of any non-compliance with the required standard as set out in the Model Code.

CORPORATE GOVERNANCE

The company has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2012, except for the deviation from the requirement of code provision A.2.1 and E.1.2 of the CG Code 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.

Code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. The company did not comply with such code provision as the chairman was absent from the last annual general meeting of the company held on 31 August 2012 due to his another appointment which was important to the company's business.

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 duties 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 2012 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, 26 November 2012