



# **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)

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2008**

The board of directors of China Properties Investment Holdings Limited (the “company”) is pleased to announce the audited results of the company and its subsidiaries (the “group”) for the year ended 31 March 2008 together with the audited comparative figures for the previous year as follows:

## CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2008

	<i>Note</i>	2008 <i>HK\$</i>	2007 <i>HK\$</i>
<b>Continuing operations</b>			
Turnover	4	18,743,981	5,658,580
Direct outgoings		<u>(2,522,807)</u>	<u>(706,935)</u>
		16,221,174	4,951,645
Valuation gains on investment properties		34,357,895	15,145,560
Other revenue	4	1,418,121	177,275
Other net income	4	–	12,495,110
Administrative expenses		(20,889,500)	(18,101,445)
Equity settled share-based payment expenses		(61,139,425)	–
Other operating expenses		<u>(154,839)</u>	<u>(4,680)</u>
<b>(Loss)/profit from operations</b>	5	<b>(30,186,574)</b>	14,663,465
Finance costs		<u>(6,013,651)</u>	<u>–</u>
<b>(Loss)/profit before taxation</b>		<b>(36,200,225)</b>	14,663,465
Income tax	6	<u>7,424,031</u>	<u>(4,728,240)</u>
<b>(Loss)/profit for the year from continuing operations</b>		<b>(28,776,194)</b>	9,935,225
<b>Discontinued operations</b>			
Loss for the year from discontinued operations		<u>–</u>	<u>(28,551,269)</u>
<b>Loss for the year</b>		<b><u>(28,776,194)</u></b>	<b><u>(18,616,044)</u></b>
<b>Attributable to:</b>			
Equity shareholders of the company		<b><u>(28,776,194)</u></b>	<b><u>(18,616,044)</u></b>
<b>(Loss)/earnings per share (2007: restated)</b>			
From continuing and discontinued operations	7		
– Basic		<b><u>HK(2.26) cents</u></b>	<b><u>HK(2.90) cents</u></b>
– Diluted		<b><u>N/A</u></b>	<b><u>N/A</u></b>
From continuing operations			
– Basic		<b><u>HK(2.26) cents</u></b>	<b><u>HK1.55 cents</u></b>
– Diluted		<b><u>N/A</u></b>	<b><u>HK1.55 cents</u></b>

## CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2008

	<i>Note</i>	<b>2008</b> <b>HK\$</b>	2007 HK\$
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,497,580</b>	886,616
Investment properties		<b>470,733,000</b>	258,784,000
		<b>472,230,580</b>	259,670,616
<b>Current assets</b>			
Trade and other receivables	8	<b>19,996,963</b>	2,155,325
Amount due from a director		<b>14,777</b>	–
Trading securities		<b>192,480</b>	–
Cash and cash equivalents		<b>24,993,481</b>	5,801,798
		<b>45,197,701</b>	7,957,123
<b>Current liabilities</b>			
Other payables and accruals		<b>4,793,481</b>	5,462,168
Amount due to directors		–	35,102
Interest-bearing borrowings		<b>5,024,475</b>	–
Tax payable		–	419,619
		<b>9,817,956</b>	5,916,889
<b>Net current assets</b>		<b>35,379,745</b>	2,040,234
<b>Total assets less current liabilities</b>		<b>507,610,325</b>	261,710,850
<b>Non-current liabilities</b>			
Interest-bearing borrowings		<b>104,397,425</b>	–
Other payable		–	2,751,624
Long-term payable		–	162,504,072
Deferred tax liabilities		<b>60,838,764</b>	60,515,002
		<b>165,236,189</b>	225,770,698
<b>NET ASSETS</b>		<b>342,374,136</b>	35,940,152
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>17,636,982</b>	83,878,577
Reserves		<b>324,737,154</b>	(47,938,425)
<b>TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY</b>		<b>342,374,136</b>	35,940,152

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Corporate Information and Basis of Preparation

The company was incorporated in Bermuda with limited liability under the Company Act (1981) of Bermuda. The company by passing of a special resolution by the shareholders of the company at the special general meeting of the company held on 28 November 2007, changed its name from “Northern International Holdings Limited” to “China Properties Investment Holdings Limited” with effect from 28 November 2007.

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”).

### 2. 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.

In the current year, the group has adopted, for the first time, the following new standards, amendments to existing standards and interpretations issued by the HKICPA, which are effective for the group’s financial year beginning on 1 April 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-INT 8	Scope of HKFRS 2
HK(IFRIC)-INT 9	Reassessment of Embedded Derivatives
HK(IFRIC)-INT 11	HKFRS 2-Group and Treasury Share Transactions

The adoption of these new standards, amendments to existing standards and interpretations had no material effect on the results and financial position for the current or prior accounting years. Accordingly, no prior period adjustment is required.

The group has not applied any new standard, amendment or interpretation that is not yet effective for the current accounting period. The following standards, amendments and interpretations which are not relevant to the group's operations have been issued and effective at the time of preparing this information:

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>4</sup>
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKFRS 2 (Amendment)	Share-based Payment: Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>4</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC)-Int 12	Service Concession Arrangements <sup>2</sup>
HK(IFRIC)-Int 13	Customer Loyalty Programmes <sup>3</sup>
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>2</sup>

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

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

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

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2009

### 3. Segment Information

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

The group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services provided.

Summary details of the business segments are as follows:

- i) the properties investment comprises rental of investment properties and property management services;
- ii) the snap off blade cutters segment manufactures and sells snap off blade cutters; and
- iii) the electronic consumer products segment manufactures and sells electronic consumer products.

In determining the group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

During the financial year 2007, the group disposed of its snap off blade cutters and electronic consumer products business.

a) **Business segments**

The following tables present revenue, profit and certain assets, liabilities and expenditure information for the group's business segments.

**The group**

	For the year ended 31 March 2008				
	Continuing operations	Discontinued operations		Total	Consolidated
	Property investment <i>HK\$</i>	Snap off blade cutters <i>HK\$</i>	Electronic customer products <i>HK\$</i>		
Revenue					
External sales	18,743,981	-	-	-	18,743,981
Results					
Segment results	41,058,337	-	-	-	41,058,337
Interest income	834,509			-	834,509
Unallocated income	621			-	621
Unallocated corporate expenses	(72,080,041)			-	(72,080,041)
Loss from operations	(30,186,574)			-	(30,186,574)
Finance costs	(6,013,651)			-	(6,013,651)
Loss before taxation	(36,200,225)			-	(36,200,225)
Income tax	7,424,031			-	7,424,031
Loss from ordinary activities attributable to shareholders	(28,776,194)			-	(28,776,194)

For the year ended 31 March 2007

	Continuing operations	Discontinued operations			Consolidated HK\$
	Properties investment HK\$	Snap off blade cutters HK\$	Electronic customer products HK\$	Total HK\$	
Revenue					
External sales	5,658,580	46,028,732	7,182,220	53,210,952	58,869,532
Results					
Segment results	15,121,549	(9,595,786)	(19,495,856)	(29,091,642)	(13,970,093)
Interest income	146,377			26,690	173,067
Unallocated income	3,405,808			2,440,813	5,846,621
Unallocated corporate expenses	(4,010,269)			–	(4,010,269)
Profit/(loss) from operations	14,663,465			(26,624,139)	(11,960,674)
Finance costs	–			(1,927,130)	(1,927,130)
Profit/(loss) before taxation	14,663,465			(28,551,269)	(13,887,804)
Income tax	(4,728,240)			–	(4,728,240)
Profit/(loss) from ordinary activities attributable to shareholders	9,935,225			(28,551,269)	(18,616,044)

For the year ended 31 March 2008

	Continuing operations	Discontinued operations		Consolidated <i>HK\$</i>
	Properties investment <i>HK\$</i>	Snap off blade cutters <i>HK\$</i>	Electronic customer products <i>HK\$</i>	
Segment assets	502,095,504	–	–	502,095,504
Unallocated corporate assets				15,332,777
Consolidated total assets				517,428,281
Segment liabilities	174,480,557	–	–	174,480,557
Unallocated corporate liabilities				573,588
Consolidated total liabilities				175,054,145
Other segment information:				
Capital expenditure	132,642,263	–	–	132,642,263
Depreciation	325,834	–	–	325,834
Fair value adjustments of investment properties recognised directly in profit or loss	34,357,895	–	–	34,357,895



For the year ended 31 March 2007

	Continuing operations	Discontinued operations		Consolidated <i>HK\$</i>
	Properties investment <i>HK\$</i>	Snap off blade cutters <i>HK\$</i>	Electronic customer products <i>HK\$</i>	
Segment assets	265,229,553	–	–	265,229,553
Unallocated corporate assets				2,398,186
Consolidated total assets				<u>267,627,739</u>
Segment liabilities	67,769,249	–	–	67,769,249
Unallocated corporate liabilities				163,918,338
Consolidated total liabilities				<u>231,687,587</u>
Other segment information:				
Capital expenditure	499,735	162,970	9,802	672,507
Depreciation	208,668	526,111	635,492	1,370,271
Unallocated depreciation				3,281
				<u>1,373,552</u>
Disposal of plant and equipment	–	–	5,507,581	5,507,581
Write down of inventories	–	–	5,191,601	5,191,601
Revaluation surplus of buildings recognised directly in profit or loss	–	100,000	–	100,000
Fair value adjustments of investment properties recognised directly in profit or loss	15,145,560	–	–	15,145,560

**b) Geographical segments**

All segment assets, liabilities and capital expenditure are located in the mainland China and therefore no geographical segments are presented, except for the segment revenue. Segment revenue is presented based on the geographical location of customers.

An analysis of the group's revenue by geographical segment, as determined by the location of the customers operations, is as follows:

**The group**

	<b>31 March 2008</b>		
	<b>Continuing operations <i>HK\$</i></b>	<b>Discontinued operations <i>HK\$</i></b>	<b>Total <i>HK\$</i></b>
<b>Turnover</b>			
Hong Kong	–	–	–
Mainland China	<b>18,743,981</b>	–	<b>18,743,981</b>
Europe	–	–	–
North America	–	–	–
East Asia	–	–	–
Others*	–	–	–
	<b>18,743,981</b>	–	<b>18,743,981</b>
	<b>18,743,981</b>	–	<b>18,743,981</b>
	<b>31 March 2007</b>		
	<b>Continuing operations <i>HK\$</i></b>	<b>Discontinued operations <i>HK\$</i></b>	<b>Total <i>HK\$</i></b>
Turnover			
Hong Kong	182,600	8,473,557	8,656,157
Mainland China	5,475,980	5,853,731	11,329,711
Europe	–	17,677,827	17,677,827
North America	–	7,575,531	7,575,531
East Asia	–	11,184,258	11,184,258
Others*	–	2,446,048	2,446,048
	<b>5,658,580</b>	<b>53,210,952</b>	<b>58,869,532</b>
	<b>5,658,580</b>	<b>53,210,952</b>	<b>58,869,532</b>

\* including Brazil and Canada etc.

#### 4. Turnover, Other Revenue and Net Income

Turnover represents gross rental income, property management services income, net invoiced value of good sold, after allowances for returns and trade discounts and after elimination of all intra-group transactions.

During the year, the group had revenue and gains arising from the following activities:

	<b>2008</b>	2007
	<i>HK\$</i>	<i>HK\$</i>
Turnover		
Gross rental income	<b>16,992,158</b>	5,658,580
Property management services income	<b>1,751,823</b>	–
Sales of snap off blade cutters	–	46,028,732
Sale of electronic consumer products	–	7,182,220
	<b>18,743,981</b>	58,869,532
Attributable to continuing operations	<b>18,743,981</b>	5,658,580
Attributable to discontinued operations	–	53,210,952
	<b>18,743,981</b>	58,869,532

#### Other revenue

	<b>Continuing operations</b>		<b>Discontinued operations</b>		<b>Consolidated</b>	
	<b>2008</b>	2007	<b>2008</b>	2007	<b>2008</b>	2007
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Interest income on bank deposits	<b>834,509</b>	146,377	–	26,690	<b>834,509</b>	173,067
Total interest income on financial assets not at fair value through profit or loss	<b>834,509</b>	146,377	–	26,690	<b>834,509</b>	173,067
Sundry income	<b>583,612</b>	30,898	–	1,767,528	<b>583,612</b>	1,798,426
	<b>1,418,121</b>	177,275	–	1,794,218	<b>1,418,121</b>	1,971,493

**Other net income**

	<b>Continuing operations</b>		<b>Discontinued operations</b>		<b>Consolidated</b>	
	<b>2008</b>	2007	<b>2008</b>	2007	<b>2008</b>	2007
	<b>HK\$</b>	<i>HK\$</i>	<b>HK\$</b>	<i>HK\$</i>	<b>HK\$</b>	<i>HK\$</i>
Surplus on revaluation of buildings	-	-	-	100,000	-	100,000
Gain on disposal of subsidiaries	-	-	-	2,440,813	-	2,440,813
Net gain on disposal of property, plant and equipment	-	9,089,307	-	-	-	9,089,307
Negative goodwill *	-	3,405,803	-	-	-	3,405,803
	-	12,495,110	-	2,540,813	-	15,035,923

\* the amount represented the excess of the fair value of assets and liabilities of the subsidiaries acquired at the 28 November 2006, completion date of the transaction, and the total consideration HK\$110,000,000 agreed between the company and vendor on 21 August 2006.

## 5. (Loss)/profit from Operation

(Loss)/profit from operations was arrived at after charging/(crediting):

	Continuing operations		Discontinued operations		Consolidated	
	2008 HK\$	2007 HK\$	2008 HK\$	2007 HK\$	2008 HK\$	2007 HK\$
Auditor's remuneration	430,000	426,100	-	-	430,000	426,100
Cost of inventories	-	-	-	52,863,856	-	52,863,856
Staff costs (including directors' remuneration)						
- Wages, salaries and other benefits	7,685,728	9,851,815	-	7,936,595	7,685,728	17,788,410
- Pensions scheme contribution	84,918	55,080	-	840,789	84,918	895,869
- Equity settled share-based payment expenses	61,139,425	-	-	-	61,139,425	-
	68,910,071	9,906,895	-	8,777,384	68,910,071	18,684,279
Depreciation	325,834	211,949	-	1,161,603	325,834	1,373,552
Amortisation of land lease premium	-	-	-	74,070	-	74,070
Exchange loss/(gain), net	558,090	101	-	(450,752)	558,090	(450,651)
Minimum lease payments under operating leases for motor vehicles	-	-	-	197,500	-	197,500
Disposal of plant and equipment	-	-	-	5,507,581*	-	5,507,581
Write down of inventories	-	-	-	5,191,601*	-	5,191,601

\* In June 2006, the group terminated the operations of electronic consumer products due to continuously under performance. Disposal of plant and equipment and write down of inventories relating to this operations were recognised in the profit or loss accordingly.

## 6. Taxation

- (a) No provision for Hong Kong profits tax has been provided for the year as the group had no estimated assessable profits for the year (2007: Nil).

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

	<b>The group</b>	
	<b>2008</b>	2007
	<b>HK\$</b>	<b>HK\$</b>
Current tax		
Hong Kong	–	–
Mainland China-overprovision in prior years	<b>(462,491)</b>	–
	<b>(462,491)</b>	
	–	–
Deferred tax	<b>(6,961,540)</b>	4,728,240
Tax (credit)/expense	<b>(7,424,031)</b>	4,728,240
Tax (credit)/expense for continuing operations	<b>(7,424,031)</b>	4,728,240
Tax (credit)/expense for discontinued operations	–	–
	<b>(7,424,031)</b>	4,728,240

- (b) On 16 March 2007, the Fifth Plenary Session of the Tenth National People’s Congress passed the Corporate Income Tax Law of mainland China (“New Tax Law”) which took effect on 1 January 2008. Mainland China income tax rate is unified to 25% for all enterprises.

The State Council of mainland China passed an implementation guidance note (“Implementation Guidance”) on 26 December 2007, which sets out details of how existing preferential income tax rate will be adjusted to the standard rate of 25%.

The enactment of the New Tax Law is not expected to have any financial effect on the amounts accrued in the consolidated balance sheet in respect of current tax payable. The carrying amount of deferred tax liabilities changed resulted from the change in the tax rate.

Further under the New Tax Law, from 1 January 2008, non-resident enterprises without an establishment or place of business in mainland China or which have an establishment or place of business in mainland China but whose relevant income is not effectively connected with the establishment or place of business in mainland China, will be subject to withholding tax at the rate of 10% (unless reduced by treaty) on various types of passive income such as dividends derived from sources within mainland China. As certain of the group’s foreign-invested enterprises are directly held by a Hong Kong incorporated subsidiary, a rate of 5% is applicable to the calculation of this withholding tax. The group has already assessed the impact of the New Tax Law regarding this withholding tax and considered that the New Tax Law would not have a significant impact on the results of operations and financial position of the group as at 31 March 2008.

According to the notice Caishui [2008] No. 1 released by the Ministry of Finance and the State Administration of Taxation, distributions of the pre-2008 retained profits of a foreign-invested enterprise to a foreign investor in 2008 or after are exempt from corporate income tax. Accordingly, the retained profits as at 31 March 2008 in the group's foreign-invested enterprise's books and accounts will not be subject to 5% or 10% withholding tax on future distributions.

(c) Reconciliation between tax expense and accounting loss at applicable tax rate:

**The group**

	<b>2008</b>	2007
	<i>HK\$</i>	<i>HK\$</i>
Loss before taxation	<u>(36,200,225)</u>	<u>(13,887,804)</u>
Notional tax on loss before taxation, calculated at the tax rate applicable to profits in the jurisdictions concerned	(3,418,114)	(1,052,031)
Tax effect of changes in mainland China income tax rate	(15,551,014)	–
Tax effect of non-taxable income	(1,595,809)	(375,221)
Tax effect of non-deductible expenses	11,086,521	981,468
Tax effect of unused tax losses not recognised	2,516,644	5,173,504
Over-provision in prior years	(462,491)	–
Others	232	520
	<u>                    </u>	<u>                    </u>
Actual tax (credit)/expense	<u>(7,424,031)</u>	<u>4,728,240</u>
Tax (credit)/expense for continuing operations	(7,424,031)	4,728,240
Tax (credit)/expense for discontinued operations	–	–
	<u>                    </u>	<u>                    </u>
	<u><u>(7,424,031)</u></u>	<u><u>4,728,240</u></u>

## 7. (Loss)/earnings per share

The calculation of basic and diluted (loss)/earnings per share is based on the following data:

	<b>2008</b>	2007
	<b>HK\$</b>	<b>HK\$</b>
(Loss)/earnings for the purpose of basic (loss)/earnings per share (attributable to shareholders of the company)		
From continuing operations	<b>(28,776,194)</b>	9,935,225
From discontinued operations	–	(28,551,269)
	<b><u>(28,776,194)</u></b>	<b><u>(18,616,044)</u></b>
	<b>2008</b>	2007
		(restated)
Number of ordinary shares		
Weighted average number of ordinary shares at 31 March, for basic (loss)/earnings per share	<b>1,272,604,619</b>	641,815,366
Deemed issue of ordinary shares under the company's share option scheme for nominal consideration	<b>N/A</b>	501,544
Weighted average number of ordinary shares at 31 March for diluted (loss)/earnings per share	<b><u>N/A</u></b>	<b><u>642,316,910</u></b>

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the year ended 31 March 2008 has accounted for the effect of issuance of new shares pursuant to the open offer which was completed in August 2007. The corresponding weighted average number of ordinary shares of 2007 has been retrospectively adjusted to reflect the said open offer.

Diluted loss per share for continuing and discontinued operations for the years ended 31 March 2008 and 2007 and diluted loss per share for continuing operations for the year ended 31 March 2008 have not been disclosed as the impact of the potential ordinary shares was anti-dilutive.

The calculation of diluted earnings per share for continuing operations for the year ended 31 March 2007 is based on the earnings attributable to equity shareholders of HK\$9,935,225 and the weighted average number of 642,316,910 ordinary shares after adjusting for the effects of all dilutive potential shares under the company's share option scheme.



## 8. Trade and Other Receivables

	<b>2008</b>	2007
	<i>HK\$</i>	<i>HK\$</i>
Rental receivables	<b>2,177,111</b>	1,524,752
Deposits, prepayments and other receivables	<b>17,819,852</b>	630,573
	<u><b>19,996,963</b></u>	<u>2,155,325</u>

All of the trade and other receivables are expected to be recovered within one year.

Included in deposits, prepayments and other receivables is a deposit of HK\$15.4 million paid to Shanghai Xu Hui Co., Ltd. (the "Vendor"), an independent third party upon signing of a sale and purchase agreement on 10 July 2007 for the purchase of investment properties located in mainland China amounting to HK\$30.9 million. Pursuant to a termination notice dated 2 July 2008 issued by the group, the transaction was terminated and the deposit together with the interest accrued is required to be refunded by the Vendor to the group within 3 months from the date of the termination notice.

### **Rental receivables that are not impaired**

The ageing analysis of tenants that are neither individually nor collectively considered to be impaired are as follows:

	<b>2008</b>	2007
	<i>HK\$</i>	<i>HK\$</i>
Within 3 months past due	<b>1,537,115</b>	381,188
More than 3 months but less than 6 months past due	<b>579,996</b>	1,143,564
	<u><b>2,117,111</b></u>	<u>1,524,752</u>

Receivables that were past due but not impaired relate to a number of independent tenants that have a good track record with the group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The group does not hold any collateral over these balances.

## **DIVIDEND**

The directors of the company do not recommend the payment of any dividend for the year ended 31 March 2008 (2007: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Operating Results**

#### *Continuing operation – Properties investment business*

For the year under review, the group's turnover was approximately HK\$18.7 million (2007: approximately HK\$5.7 million), representing an increase of approximately 231% compared with last year. The increase in turnover was mainly due to the increase in rental income through acquisition of investment properties in Shanghai during the second half of 2007 and 2008 respectively.

The audited loss for the year was approximately HK\$28.8 million and the loss per share was HK2.26 cents. The loss for the year was mainly due to the share-based payment by granting of share options to certain executive directors and key employees under the share option scheme of the company during the year. The fair value of the share options granted as at the date of grant was approximately HK\$61.1 million which was recognized as expenses for the year under the requirements of HKFRS 2. However, there was no cash outlay from the company for granting these share options. The finance cost of the group for the year amounted to approximately HK\$6 million which was incurred for the bank loans under the security of two investment properties in Shanghai.

Meanwhile, the group has elected the fair value model for investment properties under the HKAS 40 for the year. As at 31 March 2008, the investment properties of the group were revalued at approximately HK\$470.7 million by Castores Magi, an independent professional valuer. The group recorded a gain on fair value change of investment properties amounted to approximately HK\$34.4 million in its income statement for the year.

In addition, the income tax rate in the mainland China has been changed from 33% to 25% with effect from 1 January 2008. As a result, the deferred tax liabilities arising from revaluation of buildings of the group was reduced by approximately HK\$15.6 million for the year which helped to relieve the overall losses of the group.

#### *Discontinued operation*

As the group ceased its electronic consumer products and snap off blade cutters businesses since last financial year, it has no effect on the operating results of the group for the year under review.

## **Business Review**

The group continued to focus on the properties investment business for the year. The group entered into three sale and purchase agreements with three independent third parties on 10 July 2007 for the acquisition of three commercial properties in Shanghai. The total consideration payable by the company for the acquisitions was approximately HK\$160 million in aggregate. Details of such acquisitions were set out in the circular of the company dated 14 August 2007. Among the three properties, the acquisition of the property comprising two office floors on Levels 14 and 15 of Yun Hai Building located at No. 1329 and 1331, Huai Hai Zhong Road, Xuhui District, Shanghai, the PRC was terminated due to one of the conditions as specified in the Sales and Purchase Agreement cannot be fulfilled. Such termination will not have any material adverse effects on the business or financial position of the group and the group will continue to explore other suitable investment opportunities. Details of the termination were disclosed in the announcement of the company dated 2 July 2008. Whereas the acquisition of the other two properties were completed during the year under review.

As at 31 March 2008, the aggregate gross floor area of the investment properties being held by the group was approximately 10,736 square meters, representing an increase of approximately 91% compared with last year. The investment properties of the group were located in fast developing area or city centre of Shanghai and the average occupancy rates were 100% for the year. The investment properties are leased to third parties under operating leases with lease terms ranging from two years to twelve years. The rental income generated from the investment properties amounted to approximately HK\$2.1 million per month. The increase in investment properties will not only expand the property portfolio of the group, but will also provides a stable source of rental income to the group in the future.

## **Liquidity and Financial Resources**

As at 31 March 2008, the group's net current assets were approximately HK\$35.4 million (2007: approximately HK\$2 million), including cash and bank balance of approximately HK\$25 million (2007: approximately HK\$5.8 million).

The group had borrowings of approximately HK\$109.4 million as at 31 March 2008 (2007: approximately HK\$162.5 million, being the amount due to an independent third party). All of the borrowings were bank loans under security, of which 4.6% were due within one year from balance sheet date, 5.1% were due more than one year but not exceeding two years, 23% were due more than two years but not exceeding five years and 67.3% were due more than five years. The gearing ratio, defined as the percentage of total bank borrowings to total equity, was approximately 32% (2007: nil).

## **Investment Position and Planning**

Save as the investment properties disclosed in the Business Review above, the group did not have any significant investment position in stocks, bonds and other financial derivatives as at 31 March 2008.

## Foreign Exchange Exposure

As most of the group's assets and liabilities are denominated in Renminbi and the liabilities of the group are well covered by its assets, the group does not have any significant exposure to foreign exchange fluctuation.

## Share Capital

For the year ended 31 March 2008, the share capital of the company were changed as set out below:

1. An ordinary resolution was passed at a special general meeting held on 21 May 2007 for approving the capital reorganisation scheme of the company. Pursuant to the scheme, the authorised share capital was reduced from HK\$300,000,000 of 1,500,000,000 shares of HK\$0.2 each to HK\$15,000,000 of 1,500,000,000 shares of HK\$0.01 each by cancelling the amount of HK\$285,000,000 or HK\$0.19 per share and the issued share capital was reduced from 419,392,885 shares of HK\$0.2 each to 419,392,885 shares of HK\$0.01 each by cancelling of HK\$0.19 from each share together with the associated share premium of HK\$40.9 million and a credit of approximately HK\$120.6 million was transferred to the contributed surplus account. Part of the contributed surplus amounting to approximately HK\$99.7 million was applied to eliminate the accumulated deficits. A surplus of approximately HK\$20.9 million standing to the credit of the contributed surplus account remained after the completion of the capital reorganization. The contributed surplus may be utilised by the directors in accordance with the by-laws of the company and all applicable laws of Bermuda, including to apply such credit against the accumulated losses of the company.
2. By an ordinary resolution passed at a special general meeting held on 31 August 2007, the company's authorised share capital was increased to HK\$35,000,000 by the creation of an additional 2,000,000,000 ordinary shares of HK\$0.01 each.
3. By an ordinary resolution passed at a special general meeting held on 31 August 2007, the company issued 1,258,178,655.75 shares at HK\$0.17 each by an open offer.
4. By an ordinary resolution passed on 28 September 2007, the company issued 2,251,650 shares under the share option scheme of the company exercised by an option holder at an exercise price of HK\$0.0755.
5. On 31 October 2007, the company issued 83,875,000 shares at HK\$0.43 each to Mr. Peter D. Xu, the promissory notes holder. The gross proceeds from the issue were approximately HK\$36.1 million and were utilised for setting off the remaining balance of the promissory notes.

Save as disclosed herein, there was no other changes in capital structure of the company for the year ended 31 March 2008.

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

As at 31 March 2008, the group's investment properties with a value of approximately HK\$305 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 31 March 2008, the group did not have any material contingent liability (2007: Nil).

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

There were no material acquisitions and disposals of subsidiaries and affiliated companies of the group during the year ended 31 March 2008.

### **Employees**

As at 31 March 2008, the group had 42 employees (2007: 31). 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.

### **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 year ended 31 March 2008.

### **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 year ended 31 March 2008, except for the deviation from the requirement of code provision A.2.1 as follow.

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The Chairman of the company also acted as chief executive officer of the company during the year, 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**

As at 31 March 2008, the audit committee of the company (the “Audit Committee”) comprises three independent non-executive Directors, namely Ms. Chan Mei Bo, Mabel, Mr. Yeung Yuen Hei and Mr. Wang Dong. The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to “A Guide for The Formation of An Audit Committee” published by the HKICPA. The principal activities of the Audit Committee include the review and supervision of the group’s financial reporting process and internal controls.

The Audit Committee has regularly reviewed with the management the accounting principles and policies adopted by the group. The annual results of the group for the year ended 31 March 2008 was reviewed by the Audit Committee.

## **REVIEW OF FINANCIAL INFORMATION**

The figures in respect of the preliminary announcement of the group’s results for the year ended 31 March 2008 have been agreed by the group’s auditors, CCIF CPA Limited to the amounts set out in the group’s audited consolidated financial statements for the year. The work performed by CCIF CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by CCIF CPA Limited on the preliminary announcement.

## **DIRECTORS’ SECURITIES TRANSACTION**

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 of the Directors, all Directors confirmed that they had complied with the required standards as set out in the Model Code throughout the year ended 31 March 2008.

**PUBLICATION OF DETAILED ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE**

The company's annual report for the year ended 31 March 2008 containing all applicable information required by Appendix 16 of the Listing Rules will be despatched to the shareholders of the company and published on the Stock Exchange's website and on the company's website in due course.

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

Hong Kong, 22 July 2008

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

\* *for identification purposes only*