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CHINA INVESTMENTS HOLDINGS LIMITED

中國興業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 132)

INTERIM RESULTS FOR 2015

UNAUDITED CONSOLIDATED RESULTS

The Board of Directors (the “Directors”) of China Investments Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
	<i>Notes</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	4	18,680	13,727
Cost of sales and services		(11,590)	(8,814)
Gross profit		7,090	4,913
Other operating income	6	5,303	4,103
Selling and distribution costs		(687)	(828)
Administrative expenses		(18,682)	(30,343)
Share of profit of associates, net of tax		41,520	1,575
Finance costs		(11,559)	(379)
Profit/(loss) before taxation		22,985	(20,959)
Income tax expense	7	(61)	(150)
Profit/(loss) for the period and attributable to owners of the Company	8	22,924	(21,109)

* For identification purpose only

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
Notes	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Other comprehensive (expense)/income, net of income tax		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	(709)	(4,377)
Share of exchange difference of associates	(176)	1,520
Other comprehensive expense for the period, net of income tax	(885)	(2,857)
Total comprehensive income/(expense) for the period and attributable to owners of the Company	<u>22,039</u>	<u>(23,966)</u>
Earnings/(loss) per share	10	
Basic	<u>HK1.34 cents</u>	<u>(HK1.78 cents)</u>
Diluted	<u>HK1.34 cents</u>	<u>(HK1.78 cents)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

		30 June 2015 <i>HK\$'000</i> (unaudited)	31 December 2014 <i>HK\$'000</i> (audited)
	Notes		
Non-current assets			
Investment properties		370,401	291,304
Property, plant and equipment		135,101	137,177
Interests in associates	11	623,723	694,625
		<u>1,129,225</u>	<u>1,123,106</u>
Current assets			
Properties held for sale		55,614	57,454
Inventories		1,167	1,284
Trade and other receivables	12	9,519	9,064
Pledged bank deposit		–	122,467
Bank balances and cash		196,796	145,359
		<u>263,096</u>	<u>335,628</u>
Current liabilities			
Trade and other payables	13	106,259	105,267
Tax payables		7,929	19,141
Bank loans	14	31,366	116,444
		<u>145,554</u>	<u>240,852</u>
Net current assets		<u>117,542</u>	<u>94,776</u>
Total assets less current liabilities		<u><u>1,246,767</u></u>	<u><u>1,217,882</u></u>
Capital and reserves			
Share capital		171,233	171,233
Reserves		846,388	824,349
Total equity		<u>1,017,621</u>	<u>995,582</u>
Non-current liabilities			
Bank loans	14	122,424	122,424
Convertible notes	15	104,315	97,469
Deferred tax liabilities		2,407	2,407
		<u>229,146</u>	<u>222,300</u>
		<u><u>1,246,767</u></u>	<u><u>1,217,882</u></u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. BASIS OF PREPARATION

The interim condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“the Listing Rules”) and with Hong Kong Accounting Standard 34 (“HKAS 34”) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The interim condensed consolidated financial statements have not been audited by the Company’s auditor but have been reviewed by the Company’s audit committee and auditor.

The interim condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair value or revalued amounts, as appropriate.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2014.

The preparation of interim financial statements in conformity with HKAS 34 requires 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 interim financial statements and selected explanatory notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards.

2. PRINCIPAL ACCOUNTING POLICIES AND APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS”)

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2014.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010 – 2012 Cycle
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011 – 2013 Cycle
HKAS 19 (Amendments)	Defined benefit plans: Employee Contributions

2. PRINCIPAL ACCOUNTING POLICIES AND APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS”) *(Continued)*

The adoption of the new or revised HKFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting period. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective.

HKFRS 9	Financial Instruments ³
HKFRS 14	Regulatory Deferral Accounts ¹
HKFRS 15	Revenue from Contracts with Customers ²
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012 – 2014 Cycle ¹
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception ¹
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
HKFRS 11 (Amendments)	Accounting for Acquisition of Interests in Joint Operations ¹
HKAS 1 (Amendments)	Disclosure Initiative ¹
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants ¹
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements ¹

Notes:

¹ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted

² Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted

³ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted

The Group is in the process of making an assessment of what the impact of these new and revised HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements of the Group.

3. FINANCIAL RISK MANAGEMENT

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements for the year ended 31 December 2014.

In 2015, there were no significant changes in the business or economic circumstances that affect the fair value of the group's financial assets and financial liabilities. There were no reclassifications of financial assets.

4. REVENUE

Revenue represents the gross amounts received and receivable for revenue arising on hotel operations, sale of properties, goods sold by the Group to outside customers, less return and allowances and gross rental income during the period.

5. SEGMENT INFORMATION

For management purposes, the Group is currently organised into three operating divisions – hotel operations, property investment and other operating segment. These divisions are the basis on which the Group reports its primary segment information. In line with the management segment review, certain comparative amounts have been reclassified to confirm to the current period presentation.

Principal activities are as follows:

Hotel operations	–	hotel ownership and management
Property investment	–	holding investment properties and properties held for sale
Other operating segment	–	wood processing

5. SEGMENT INFORMATION *(Continued)*

Segment information about these operations is presented below:

	Segment Revenue from external customers		Segment Result	
	Six months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
				(restated)
Hotel operations	9,756	9,873	(4,289)	(3,923)
Property investment	7,263	1,229	2,909	(28)
Other operating segment	1,661	2,625	(699)	(438)
Total	<u>18,680</u>	<u>13,727</u>	(2,079)	(4,389)
Interest income			3,353	3,515
Professional fee			(968)	(3,865)
Net central administration cost			(9,144)	(8,789)
Net exchange gain/(loss)			1,862	(8,627)
Share of profit of associates			41,520	1,575
Finance costs			(11,559)	(379)
Profit/(loss) before taxation			22,985	(20,959)
Income tax expense			(61)	(150)
Profit/(loss) for the period			<u>22,924</u>	<u>(21,109)</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current period (30 June 2014: nil).

Segment result represents the profit/(loss) generated by each segment without allocation of interest income, professional fee, central administration costs, net exchange gain or loss, share of profit of associates and finance costs. This is the measure reported to the Group's management for the purposes of resource allocation and performance assessment.

5. SEGMENT INFORMATION *(Continued)*

SEGMENT ASSETS AND LIABILITIES

As at 30 June 2015

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited) (restated)
Segment assets		
Hotel operations	122,818	125,736
Property investment	444,362	365,134
Other operating segment	912	1,368
	<hr/>	<hr/>
Total segment assets	568,092	492,238
Pledged bank deposit	–	122,467
Bank balances and cash	196,796	145,359
Interests in associates	623,723	694,625
Unallocated assets	3,710	4,045
	<hr/>	<hr/>
Consolidated assets	1,392,321	1,458,734
	<hr/> <hr/>	<hr/> <hr/>
Segment liabilities		
Hotel operations	3,000	3,927
Property investment	157,597	127,555
Other operating segment	203	522
	<hr/>	<hr/>
Total segment liabilities	160,800	132,004
Convertible notes	183,223	176,377
Bank loans	–	113,944
Unallocated liabilities	30,677	40,827
	<hr/>	<hr/>
Consolidated liabilities	374,700	463,152
	<hr/> <hr/>	<hr/> <hr/>

5. SEGMENT INFORMATION *(Continued)*

Other segment information

For the six months ended 30 June 2015

	Hotel operations <i>HK\$'000</i> (unaudited)	Property investment <i>HK\$'000</i> (unaudited)	Other operating segment <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Depreciation	3,878	233	289	4,400
Addition to property, plant and equipment	54	2,387	–	2,441
Addition to investment properties	–	79,097	–	79,097
Loss on disposal of property, plant and equipment	<u>8</u>	<u>–</u>	<u>–</u>	<u>8</u>

For the six months ended 30 June 2014

	Hotel operations <i>HK\$'000</i> (unaudited)	Property investment <i>HK\$'000</i> (unaudited)	Other operating segment <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Depreciation	4,061	5	294	4,360
Additions to property, plant and equipment	1,763	–	–	1,763
Gain on disposal of property, plant and equipment	<u>14</u>	<u>–</u>	<u>–</u>	<u>14</u>

5. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's hotel operations and other operating segment are located in the People's Republic of China, other than Hong Kong (the "PRC").

Property investment operations are located in both PRC and Hong Kong.

The Group's revenue from external customers by location of operation and information about its non-current assets by location of assets are detailed below:

	Revenue by geographical market		Non-current assets*	
	Six months ended 30 June		30 June	31 December
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(audited)
The PRC	17,465	13,377	374,709	376,856
Hong Kong	1,215	350	130,283	51,413
	<u>18,680</u>	<u>13,727</u>	<u>504,992</u>	<u>428,269</u>

* *Non-current assets exclude interest in associates and unallocated non-current assets.*

6. OTHER OPERATING INCOME

Other operating income included the following items:

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest income	3,353	3,515
Net exchange gain	<u>1,862</u>	<u>—</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Tax charges comprises:		
Current tax – Provision for PRC enterprises income tax	–	150
Under-Provision for PRC enterprises income tax	<u>61</u>	<u>–</u>
	<u>61</u>	<u>150</u>

No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for the period ended 30 June 2015 (2014: Nil). PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both periods.

8. PROFIT/(LOSS) FOR THE PERIOD AND ATTRIBUTABLE TO OWNERS OF THE COMPANY

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit/(loss) for the period has been arrived at after (charging)/crediting:		
Depreciation of property, plant and equipment	(4,492)	(4,439)
Auditor's remuneration	(440)	(400)
Staff costs (including Directors' remuneration and retirement benefit scheme contribution)	(8,232)	(7,296)
(Loss)/gain on disposal of property, plant and equipment	(8)	18
Cost of properties held for sale disposed during the period	(1,840)	–
Net exchange gain/(loss)	1,862	(8,627)
Finance costs	(11,559)	(379)
Gross rental income from investment properties	2,182	1,229
Less:		
Direct operating expenses from investment properties that generated rental income during the period	(890)	(797)
Direct operating expenses from investment properties that did not generate rental income during the period	<u>(134)</u>	<u>(143)</u>
	<u>1,158</u>	<u>289</u>

9. DIVIDEND

The Board does not declare an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

10. EARNINGS/(LOSS) PER SHARE

The calculation of basic and diluted earnings/(loss) per share is based on the profit attributable to owners of the Company of approximately HK\$22,924,000 (six months ended 30 June 2014: loss of HK\$21,109,000) and on the number of 1,712,329,142 ordinary shares (30 June 2014: 1,188,329,142 ordinary shares) in issue during the period.

The calculation of diluted earnings per share for the period ended 30 June 2015 was based on the profit for the period of HK\$22,924,000 and on the number of ordinary shares of 1,712,329,142 during the period as used in the basic earnings per share calculation.

The denominators used are the same as those detailed above for both basis and diluted earnings/(loss) per share.

For the period ended 30 June 2015, the outstanding convertible notes for the period had no dilutive effect on the basic earnings per share as the conversion of the Company's outstanding convertible notes could only be converted into shares at any time following the third anniversary of the issue date up to the maturity date on 13 October 2019.

11. INTERESTS IN ASSOCIATES

Details of the Group's interests in associates are as follows:

	Guangdong Financial Leasing Co., Ltd 30 June 2015 HK\$'000 (unaudited)	Nanhai Changhai Power Company Limited 30 June 2015 HK\$'000 (unaudited)	Total 30 June 2015 HK\$'000 (unaudited)	Total 31 December 2014 HK\$'000 (audited)
Initial cost of investments in associates				
Unlisted	191,977	485,042	677,019	677,019
Less: Dividend from pre-acquisition profit	—	(112,246)	(112,246)	—
	191,977	372,796	564,773	677,019
Share of post-acquisition profits	14,146	49,408	63,554	22,034
Share of other comprehensive income/(expenses)	1,747	(6,351)	(4,604)	(4,428)
	207,870	415,853	623,723	694,625

Details of each of the Group's material associates at the end of the reporting period are as follows:

Entity Name	Form of the entity	Place of incorporation	Principal place of operation	Class of shares held	Proportion of ownership interest held by the Group	Proportion of voting rights held by the Group	Principal activities
Guangdong Financial Leasing Co., Ltd	Incorporated	PRC	PRC	Ordinary	25%	25%	Finance leasing business and related advisory and guarantee services
Nanhai Changhai Power Company Limited	Incorporated	PRC	PRC	Ordinary	32.636%	32.636%	Generation and sale of electricity and heated steam

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

All of these associates are accounted for using the equity method in these condensed consolidated financial statements.

11. INTERESTS IN ASSOCIATES (Continued)

Guangdong Financial Leasing Co., Ltd

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Current assets	883,095	519,646
Non-current assets	880,235	600,748
Current liabilities	(551,968)	(25,188)
Non-current liabilities	(379,883)	(292,529)
Net asset value	831,479	802,677

	Six months ended 30 June 2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Revenue	48,562	8,191
Profit for the period	28,730	6,301
Other comprehensive income for the period	72	6,080
Total comprehensive income for the period	28,802	12,381

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the condensed consolidated financial statements:

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Net assets of the associate	831,479	802,677
Proportion of the Group's ownership interest in Guangdong Financial Leasing Co., Ltd	25%	25%
Carrying amount of the Group's interest in Guangdong Financial Leasing Co., Ltd	207,870	200,669

11. INTERESTS IN ASSOCIATES (Continued)

Nanhai Changhai Power Company Limited

	30 June 2015 <i>HK\$'000</i> (unaudited)	31 December 2014 <i>HK\$'000</i> (audited)
Current assets	539,966	602,987
Non-current assets	1,006,507	1,021,957
Current liabilities	(273,116)	(456,205)
Net asset value	<u>1,273,357</u>	<u>1,168,739</u>

	Six months ended 30 June 2015 <i>HK\$'000</i> (unaudited)	2014 <i>HK\$'000</i> (unaudited)
Revenue	501,210	–
Profit for the period	105,212	–
Other comprehensive expenses for the period	(594)	–
Total comprehensive income for the period	<u>104,618</u>	<u>–</u>

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the condensed consolidated financial statements:

	30 June 2015 <i>HK\$'000</i> (unaudited)	31 December 2014 <i>HK\$'000</i> (audited)
Net assets of the associate	1,273,357	1,168,739
Proportion of the Group's ownership interest in Nanhai Changhai Power Company Limited	32.636%	32.636%
Carrying amount of the Group's interest in Nanhai Changhai Power Company Limited (Note)	<u>415,853</u>	<u>493,956</u>

11. INTERESTS IN ASSOCIATES (Continued)

Note:

On 13 October 2014, there was undistributed profit due to Southern Limited included in the carrying value of Nanhai Changhai Power Company Limited which had been acquired by the Group through the acquisition of Southern Limited. The carrying amount of the Group's interest in Nanhai Changhai Power Company Limited as at 30 June 2015 and 31 December 2014 is therefore cannot be directly calculated by multiplying its net assets with the proportion of the Group's ownership interest.

12. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 90 days to its customers. The following is an aging analysis of the Group's trade receivables after deducting the allowance for doubtful debts presented based on invoice dates at the end of the reporting period:

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
0 – 60 days	1,227	683
61 – 90 days	345	202
91 – 120 days	62	181
over 120 days	51	86
Trade receivables	1,685	1,152
Other receivables	7,834	7,912
	9,519	9,064

Other receivables included the following items:

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Deposit for the acquisition of property	–	2,000
Prepayment for construction works	2,938	–
Interest receivable	157	2,264
Utility deposit, prepayment and other receivables	4,739	3,648
	7,834	7,912

12. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group does not hold any collateral or other credit enhancements over these balances.

13. TRADE AND OTHER PAYABLES

The credit period granted by the Group's suppliers ranges from 30 days to 90 days.

The following is an aging analysis of the Group's trade payables by age based on the invoice date at the end of the reporting period:

	30 June	31 December
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(audited)
0 – 60 days	926	941
61 – 90 days	157	126
91 – 120 days	43	113
over 120 days	195	183
	<hr/>	<hr/>
Trade payables	1,321	1,363
Other payables	104,938	103,904
	<hr/>	<hr/>
	106,259	105,267
	<hr/> <hr/>	<hr/> <hr/>

Other payables included the following items:

	30 June	31 December
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Other tax payable	9,924	9,832
Payable on convertible notes and interest payable <i>(Note 1)</i>	78,908	78,908
Others <i>(Note 2)</i>	16,106	15,164
	<hr/>	<hr/>
	104,938	103,904
	<hr/> <hr/>	<hr/> <hr/>

13. TRADE AND OTHER PAYABLES *(Continued)*

Notes:

- (1) On 9 May 2002, the Group issued HK\$230,000,000 convertible notes (the “2002 CB”) which were due on 9 May 2007 (the “Maturity Date”), bearing interest at 1% per annum and in units of HK\$1,000,000 each. As at 30 June 2015 and 31 December 2014, the balance of HK\$75,000,000 2002 CB were due but not converted. Such principal monies together with all interest accrued thereon up to Maturity Date, amounting to HK\$3,908,000, were reclassified as other payables and are repayable on demand.
- (2) Others include accrued staff salaries and welfare, deposit received from hotel customers and other temporary receipt.

The Directors considered that the carrying amount of trade and other payables approximates to their fair value. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

14. BANK LOANS

	30 June 2015 <i>HK\$’000</i> (unaudited)	31 December 2014 <i>HK\$’000</i> (audited)
Secured	<u>153,790</u>	<u>238,868</u>
Carrying amount repayable:		
Within one year	3,692	116,444
More than one year, but not exceeding two years	11,218	10,000
More than two years, but not more than five years	41,310	37,500
More than five years	<u>97,570</u>	<u>74,924</u>
	153,790	238,868
<i>Less: Amounts shown under current liabilities</i>	<u>31,366</u>	<u>116,444</u>
	<u>122,424</u>	<u>122,424</u>

14. BANK LOANS (Continued)

During the current period, the Group obtained a long-term loan amounting to HK\$29,160,000. The weight average effective interest rate is 2.09% per annum and repayable within twenty years. A sum of HK\$293,000 has been repaid for the period ended 30 June 2015. It was secured by the Group's investment property with a carrying amount of approximately HK\$79,097,000 (31 December 2014: Nil). According to HK-Int 5 which requires the classification of whole installment loan containing the repayment on demand clause as current liabilities, the aggregate carrying amounts of HK\$27,675,000 (31 December 2014: HK\$Nil) have been reclassified from non-current liabilities to current liabilities as at 30 June 2015.

The short-term loans secured by the pledge of bank deposit amounting to HK\$113,944,000 obtained in 2014 have been fully settled during the period and the relevant pledged bank deposit have been released.

15. CONVERTIBLE NOTES

On 9 May 2002, the Group issued HK\$230,000,000 convertible notes (the "2002 CB") which were due on 9 May 2007 (the "Maturity Date"), bearing interest at 1% per annum and in units of HK\$1,000,000 each. As at 30 June 2015 and 31 December 2014, the balance of HK\$75,000,000 2002 CB were due but not converted. Such principal monies together with all interest accrued thereon up to Maturity Date, amounting to HK\$3,908,000, were reclassified as other payables and are repayable on demand.

On 13 October 2014, the Company issued convertible notes in the principal amount of HK\$166,232,000 (the "2014 CB") (of which its fair value at the issuance date is approximately HK\$129,270,000) as part of the consideration for the acquisition of Southern Limited. The 2014 CB bears coupon rate of 2% per annum and are convertible into shares of the Company at a conversion price of HK\$0.76 per share at any time following the third anniversary of the issue date up to the maturity date on 13 October 2019. At any time prior to the maturity date of the 2014 CB, the Company is entitled to redeem in whole or in part of the 2014 CB at the principal amount then outstanding or such parts of the principal amount then outstanding together with the relevant accrued and unpaid interest. Unless previously redeemed, converted or purchased and cancelled, the 2014 CB will be redeemed on the maturity date on 13 October 2019. The 2014 CB carries interest at a rate of 2% per annum, which is payable annually in arrears or upon the conversion or redemption of the bonds.

	Liability component HK\$'000	Equity component HK\$'000	Total HK\$'000
At 1 January 2015	97,469	34,700	132,169
Interest charged calculated at an effective interest rate of 14.16%	<u>6,846</u>	<u>—</u>	<u>6,846</u>
At 31 June 2015 (unaudited)	<u><u>104,315</u></u>	<u><u>34,700</u></u>	<u><u>139,015</u></u>

16. CONTINGENT LIABILITIES

The Group had a maximum contingent consideration of HK\$48,000,000 in respect of the acquisition of the entire issued share capital of Can Manage Trading Limited (“Can Manage”). This amount would become payable, among others, if the consolidated net profit of Can Manage and its subsidiary, Foshan City Nanhai Jia Shun Timber Company Limited (“Jia Shun”), achieved an amount of HK\$70,000,000 for the year ended 31 December 2002 and HK\$80,000,000 for the year ended 31 December 2003.

However, the operation of Jia Shun was suspended during the period from 17 August 2003 to 10 October 2003 due to a failure in the supply of electricity and steam from the power plant operated under the power supply agreement and a court order dated 19 August 2003 to freeze Jia Shun’s assets in relation to an alleged claim from the Shenzhen Development Bank Foshan Branch. In addition, the production facilities were substantially different from those prior to the suspension. In view of all the above incidents and as the consolidated net profit of Can Manage and Jia Shun for the year ended 31 December 2003 did not reach HK\$80,000,000, the Directors consider that the Group is not liable to pay any contingent consideration.

However, as the vendor is not contactable up to the date of this announcement, the Directors decide to reflect this amount as a contingent liability.

RESULTS

For the six months ended 30 June 2015, the Group's revenue amounted to HK\$18,680,000, representing an increase of 36.1% as compared to the same period last year. Due to the good gains on investments in associated companies, the Group turned from operating loss for the same period of last year to profit and recorded a profit of HK\$22,924,000.

BUSINESS REVIEW

Hotel Business

The hotel management continued to constantly adjust customer structure and to strengthen network sales according to the market conditions, as a result, the occupancy rate recorded a slight increase as compared with the same period of last year. Even under a continuous price war, Guilin Plaza recorded a turnover of HK\$9,756,000 for the first half of the year, representing a decrease of 1.2% as compared to the same period of last year, and recorded an operating loss of HK\$4,289,000, representing an increase of 9.3% as compared to the same period of last year.

Property Investment

Taily International Traders Limited, a wholly-owned subsidiary of the Company, entered into a formal sale and purchase agreement on 13 January 2015, acquiring the premises of flats 1, 14 and 15, 5th floor, Wing On Plaza, 62 Mody Road, Kowloon, Hong Kong, for a total consideration of HK\$72,900,000. The acquisition was completed on 18 March 2015. Such property is currently leased back to the vendor for a term of 12 months at a total rent of HK\$1,900,000. Upon expiration of the lease term, such premises will be used as the Group's headquarters in Hong Kong.

During the period, the Group completed the disposal of eight units in Shantou Commercial Plaza and recorded a profit on property investment of HK\$1,652,000. As of 30 June 2015, the Group's rental income amounted to HK\$2,182,000, which was an increase of 77.5% over the same period of last year. The property occupancy rate was 86.0%, representing an increase of 8.5% as compared to the same period of last year.

Gains on Investments in Associated Companies

As the coal price continued to fall, Nanhai Changhai Power Company Limited (“Changhai Power”, of which the Group is interested in 32.636% of the equity interest) realized a good operating efficiency for the first half of the year. As of 30 June 2015, Changhai Power recorded operating profit of HK\$105,212,000, contributing a profit of HK\$34,337,000 to the Group.

The business of Guangdong Financial Leasing Co., Ltd. (“Guangdong Financial Leasing”, of which the Group is interested in 25% of the equity interest) continued to grow. As of 30 June 2015, Guangdong Financial Leasing recorded operating profit of HK\$28,730,000, contributing a profit of HK\$7,183,000 to the Group, representing an increase of 356% as compared to the same period of last year.

Financial Position and Analysis

As of 30 June 2015, the Group had total assets of HK\$1,392,321,000 (31 December 2014: HK\$1,458,734,000). The Group had bank loans and other long-term debts of HK\$258,105,000 (31 December 2014: HK\$336,337,000). Net assets was HK\$1,017,621,000 (31 December 2014: HK\$995,582,000). Gearing ratio (being bank loans and long term debts divided by total assets) was 18.5% (31 December 2014: 23.1%). Net assets per share amounted to HK59.43 cents (31 December 2014: HK58.14 cents).

The Group’s net current assets amounted to HK\$117,542,000 (31 December 2014: HK\$94,776,000). Current ratio (being current assets divided by current liabilities) was approximately 1.81 times (31 December 2014: 1.39 times), while bank balances and cash amounted to HK\$196,796,000 (31 December 2014: HK\$267,826,000) and expected there would be sufficient funds to meet the capital requirements for the Group’s operations and new projects or business development in the future.

Pledge of Assets

As of 30 June 2015, investment properties of the Group with a carrying amount of approximately HK\$331,597,000 were pledged to bank as the security for the bank borrowings granted to the Group (2014: certain bank deposits with a carrying amount of approximately HK\$122,467,000 and investment property with a carrying amount of approximately HK\$252,500,000 were pledged to bank).

Foreign Exchange Exposure

The Group's main operating income and costs are denominated in Renminbi. During the Group's operating process, the foreign exchange fluctuation of the income and costs can be mutually offset. However, due to the Hong Kong based Group putting a great deal of business loans into domestic wholly-owned subsidiaries and the great amount of RMB-denominated monetary assets owned by the Group, the RMB appreciation and depreciation should bring exchange gain and loss respectively. It is expected that, when the exchange rate of Renminbi to HK dollar appreciates or depreciates by 5%, it will cause an increase or decrease of approximately HK\$14,671,000 in the profit. In retrospect of the past few years, Renminbi was always in the trend of appreciation, and gradually became stable until the second half of 2008 and still maintained upward momentum. But the exchange rate of RMB showed a temporary downward trend last year, and began to fluctuate narrowly since the beginning of this year and returned to the stable and upward track, resulting in an exchange profit of approximately HK\$1,862,000 by the Group. In light of this, the Board believed that the exchange rate of RMB would continue to fluctuate narrowly and return to a stable and upward track in the long run and would not bring material adverse foreign exchange exposure to the Group in the long run. Accordingly, it is unnecessary for the Group to hedge against any foreign exchange risk.

Outlook

The Group expects that Changhai Power and Guangdong Financial Leasing will continue to provide good investment return during the second half of the year. The Group will continue to explore the investment opportunities in environmental protection infrastructure, financial services and other industries with good prospects and high potentials for creating additional value, gradually strengthen business growth and continuously contribute operating earnings to the Group.

EMPLOYEES

The total number of employees of the Group is approximately 192 (31 December 2014: 193). The remuneration of each employee of the Group is determined on the basis of his or her performance and responsibility. The Group provides education allowances to the employees.

DIVIDEND

The Directors do not declare payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed shares.

CORPORATE GOVERNANCE

The Company puts great emphasis on corporate governance which is reviewed and strengthened on a continued basis. The Company has adopted all the code provisions under the Corporate Governance Code ("the Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code on corporate governance practice. For the six months ended 30 June 2015, the Company has complied with all code provisions under the Code.

AUDIT COMMITTEE

The audit committee comprising the three independent non-executive Directors of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including a general review of the unaudited interim results for the six months ended 30 June 2015.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (“the Model Code”) set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors. On specific enquiry made, all Directors have confirmed that, in respect of the six months ended 30 June 2015, they have complied with the required standard as set out in the Model Code.

By Order of the Board of
China Investments Holdings Limited
He Xiangming
Chairman

Hong Kong, 13 August 2015

As at the date of this announcement, the Board consists of five executive directors, namely Mr. HE Xiangming (Chairman), Mr. SU Wenzhao (Managing Director), Mr. YOU Guang Wu (Director), Mr. HUANG Zhihe (Deputy Managing Director) and Ms. WANG Xin (Deputy Managing Director), and three independent non-executive directors, namely Mr. CHAN Kwok Wai, Mr. CHEN Da Cheng and Mr. DENG Hong Ping.