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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 2016

UNAUDITED CONSOLIDATED RESULTS

The board of directors (the “Directors”) of China Investments Holdings Limited (the “Company”) announces that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	3	11,838	18,680
Cost of sales and services		(7,273)	(11,590)
Gross profit		4,565	7,090
Other operating income	5	1,991	5,303
Selling and distribution costs		(624)	(687)
Administrative expenses		(26,993)	(18,682)
Share of profits of associates		34,841	41,520
Finance costs	6	(10,933)	(11,559)

* *For identification purpose only*

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

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Profit before taxation	8	2,847	22,985
Income tax expense	7	(2,004)	(61)
Profit for the period and attributable to owners of the Company		843	22,924
Other comprehensive expenses, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(199)	(709)
Share of exchange difference of associates		(14,249)	(176)
Other comprehensive expense for the period, net of income tax		(14,448)	(885)
Total comprehensive (expense)/income for the period and attributable to owners of the Company		(13,605)	22,039
Earnings per share			
Basic	10	HK0.05 cents	HK1.34 cents
Diluted		HK0.05 cents	HK1.34 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Non-current assets			
Investment properties		238,628	322,263
Property, plant and equipment		247,388	176,253
Interests in associates	11	633,980	624,951
Available for sale financial asset		8,915	9,117
		<u>1,128,911</u>	<u>1,132,584</u>
Current assets			
Properties held for sale		55,028	55,028
Inventories		880	1,063
Trade and other receivables	12	9,856	4,614
Bank balances and cash		147,207	158,952
		<u>212,971</u>	<u>219,657</u>
Current liabilities			
Trade and other payables	13	104,027	104,462
Tax payables		6,937	8,250
Bank loans	14	33,509	30,661
		<u>144,473</u>	<u>143,373</u>
Net current assets		<u>68,498</u>	<u>76,284</u>
Total assets less current liabilities		<u><u>1,197,409</u></u>	<u><u>1,208,868</u></u>
Capital and reserves			
Share capital		171,233	171,233
Reserves		789,581	803,186
Total equity		<u>960,814</u>	<u>974,419</u>
Non-current liabilities			
Bank loans	14	109,614	116,873
Convertible notes	15	116,107	108,467
Deferred tax liabilities		10,874	9,109
		<u>236,595</u>	<u>234,449</u>
		<u><u>1,197,409</u></u>	<u><u>1,208,868</u></u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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.

The interim condensed consolidated financial statements have been prepared on the historical costs 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 2015.

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. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Except for the adoption of the new and revised HKFRSs stated below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015.

HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 27 (Amendments)	Equity method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012–2014 Cycle

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 or revised HKFRSs that have been issued but are not yet effective:

HKAS 7 (Amendment)	Disclosure Initiative ¹
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealized Losses ¹
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions ²
HKFRS 9	Financial Instruments ²
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Leases ³

Notes:

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

² Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted

³ Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted

⁴ The original effective date has been deferred to a date yet to be determined.

The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. REVENUE

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

4. 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.

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

For the property investment operations, the management reviews the financial information of each property investment, hence each property investment constitutes a separate operating segment. However, the properties investment possess similar economic characteristics, and are with similar development and selling activities as well as similar customer bases. Therefore, all properties investment are aggregated into one reportable segment for segment reporting purposes.

Segment information is presented below:

	Segment Revenue		Segment Result	
	Six months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hotel operations	8,165	9,756	(4,480)	(4,289)
Property investment	2,255	7,263	(1,041)	2,909
Other operating segment	1,418	1,661	(676)	(699)
Total	<u>11,838</u>	<u>18,680</u>	<u>(6,197)</u>	<u>(2,079)</u>

4. SEGMENT INFORMATION (Continued)

	Segment Result	
	Six months ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest income	1,909	3,353
Professional fee	(605)	(968)
Net central administration cost	(10,492)	(9,144)
Net exchange (loss)/gain	(5,676)	1,862
Share of profits of associates	34,841	41,520
Finance costs	(10,933)	(11,559)
	<hr/>	<hr/>
Profit before taxation	2,847	22,985
Income tax expense	(2,004)	(61)
	<hr/>	<hr/>
Profit for the period	843	22,924
	<hr/>	<hr/>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current period (six months ended 30 June 2015: nil).

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

4. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

As at 30 June 2016

	30 June 2016 <i>HK\$'000</i> (Unaudited)	31 December 2015 <i>HK\$'000</i> (Audited)
Segment assets		
Hotel operations	120,549	122,304
Property investment	313,346	393,368
Other operating segment	336	521
Total segment assets	434,231	516,193
Bank balances and cash	147,207	158,952
Interests in associates	633,980	624,951
Available for sale financial asset	8,915	9,117
Unallocated assets	117,549	43,028
Consolidated assets	1,341,882	1,352,241
Segment liabilities		
Hotel operations	3,365	3,759
Property investment	118,137	122,300
Other operating segment	97	176
Total segment liabilities	121,599	126,235
Convertible notes	194,926	187,287
Bank loans	27,774	28,274
Unallocated liabilities	36,769	36,026
Consolidated liabilities	381,068	377,822

4. SEGMENT INFORMATION (Continued)

Other segment information

For the six months ended 30 June 2016

	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	3,139	41	275	3,455
Additions to property, plant and equipment	43	–	–	43
Loss on disposal of property, plant and equipment	–	68	–	68

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
Additions to property, plant and equipment	54	2,387	–	2,441
Additions to investment properties	–	79,097	–	79,097
Loss on disposal of property, plant and equipment	8	–	–	8

4. SEGMENT INFORMATION (Continued)

Geographical segments

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

Property investment is located in both the 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 from external customer		Non-current assets*	
	Six months ended 30 June 2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)	30 June 2016 <i>HK\$'000</i> (Unaudited)	31 December 2015 <i>HK\$'000</i> (Audited)
The PRC	10,756	17,465	328,725	328,205
Hong Kong	1,082	1,215	45,653	128,616
	11,838	18,680	374,378	456,821

* *Non-current assets exclude interest in associates, available for sale financial asset and unallocated non-current assets.*

5. OTHER OPERATING INCOME

Other operating income included the following items:

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	1,909	3,353
Net exchange gain	–	1,862
	<u>1,909</u>	<u>1,862</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on:		
Bank loans		
– wholly repayable within five years	–	897
– not wholly repayable within five years	3,293	3,816
Convertible notes	7,640	6,846
	<u>10,933</u>	<u>11,559</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Tax charge comprise:		
Under-provision for PRC Enterprise Income Tax	–	61
Deferred tax:		
Temporary differences arising in current period	2,004	–
	<u>2,004</u>	<u>61</u>

No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for the six months ended 30 June 2016 (six months ended 30 June 2015: nil). PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both period.

8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after (charging)/crediting		
Depreciation of property, plant and equipment	(5,256)	(4,492)
Auditor's remuneration	(460)	(440)
Staff costs (including Directors' emoluments and retirement benefit scheme contribution)	(8,812)	(8,232)
Loss on disposal of property, plant and equipment	(68)	(8)
Net exchange (loss)/gain	(5,676)	1,862
Finance costs	(10,933)	(11,559)
Cost of properties held for sale disposed of during the period	–	(1,840)
Gross rental income from investment properties	2,255	2,182
Less:		
Direct operating expenses from investment properties that generated rental income during the period	(854)	(890)
Direct operating expenses from investment properties that did not generate rental income during the period	(158)	(134)
	<u>1,243</u>	<u>1,158</u>

9. DIVIDENDS

The Board does not declare an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the profit attributable to owners of the Company of approximately HK\$843,000 (six months ended 30 June 2015: profit of HK\$22,924,000) and on the number of 1,712,329,142 ordinary share (30 June 2015: 1,712,329,142 ordinary shares) in issue during the period.

For the periods ended 30 June 2016 and 30 June 2015, the outstanding convertible notes for the periods 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 2016 HK\$'000 (Unaudited)	Nanhai Changhai Power Company Limited 30 June 2016 HK\$'000 (Unaudited)	Total 30 June 2016 HK\$'000 (Unaudited)	Total 31 December 2015 HK\$'000 (Audited)
Initial cost of investments in associates				
Unlisted	191,977	485,042	677,019	677,019
Less: Distribution from pre-acquisition profit	<u>—</u>	<u>(124,089)</u>	<u>(124,089)</u>	<u>(112,526)</u>
	191,977	360,953	552,930	564,493
Share of post-acquisition profits	31,872	96,645	128,517	93,676
Share of other comprehensive expense	<u>(12,653)</u>	<u>(34,814)</u>	<u>(47,467)</u>	<u>(33,218)</u>
	<u>211,196</u>	<u>422,784</u>	<u>633,980</u>	<u>624,951</u>

Details of each 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	The People's Republic of China	The People's Republic of China	Ordinary	25%	25%	Finance leasing business and related advisory and guarantee services
Nanhai Changhai Power Company Limited	Incorporated	The People's Republic of China	The People's Republic of China	Ordinary	32.636%	32.636%	Generation and sale of electricity and heated steam

11. INTERESTS IN ASSOCIATES (Continued)

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.

Guangdong Financial Leasing Co., Ltd

	30 June 2016 <i>HK\$'000</i> (Unaudited)	31 December 2015 <i>HK\$'000</i> (Audited)
Current assets	1,034,465	1,959,359
Non-current assets	2,322,667	1,893,684
Current liabilities	(789,354)	(1,483,861)
Non-current liabilities	<u>(1,722,994)</u>	<u>(1,541,898)</u>
Net asset value	<u><u>844,784</u></u>	<u><u>827,284</u></u>
	Six months ended 30 June 2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)
Revenue	105,526	48,562
Profit for the period	36,523	28,730
Other comprehensive (expense)/income for the period	<u>(19,023)</u>	<u>72</u>
Total comprehensive income for the period	<u><u>17,500</u></u>	<u><u>28,802</u></u>

11. INTERESTS IN ASSOCIATES (Continued)

Guangdong Financial Leasing Co., Ltd (Continued)

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 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Net assets of the associate	844,784	827,284
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	<u>211,196</u>	<u>206,821</u>

Nanhai Changhai Power Company Limited

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Current assets	628,887	531,767
Non-current assets	996,008	1,117,853
Current liabilities	<u>(329,441)</u>	<u>(368,427)</u>
Net asset value	<u>1,295,454</u>	<u>1,281,193</u>

	Six months ended 30 June 2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	441,623	501,210
Profit for the period	78,780	105,212
Other comprehensive expense for the period	<u>(29,090)</u>	<u>(594)</u>
Total comprehensive income for the period	<u>49,690</u>	<u>104,618</u>

11. INTERESTS IN ASSOCIATES (Continued)

Nanhai Changhai Power Company Limited (Continued)

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	31 December
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Net assets of the associate	1,295,454	1,281,193
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	<u>422,784</u>	<u>418,130</u>

12. TRADE AND OTHER RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. 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 date at the end of the reporting period:

	30 June	31 December
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
0-60 days	1,637	702
61-90 days	158	198
91-120 days	44	256
Over 120 days	<u>105</u>	<u>114</u>
Trade receivables	1,944	1,270
Other receivables	<u>7,912</u>	<u>3,344</u>
	<u>9,856</u>	<u>4,614</u>

12. TRADE AND OTHER RECEIVABLES (Continued)

Other receivables included the following items:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Interest receivable	386	482
Prepayment for construction works	3,089	578
Utility deposit	686	680
Other receivables	3,751	1,604
	7,912	3,344

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 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
0-60 days	732	1,057
61-90 days	142	102
91-120 days	103	126
Over 120 days	203	119
Trade payables	1,180	1,404
Other payables	102,847	103,058
	104,027	104,462

13. TRADE AND OTHER PAYABLES (Continued)

Other payables included the following items:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Other tax payable	9,277	9,438
Payable on convertible notes and interest payable (<i>Note 1</i>)	78,819	78,819
Others (<i>Note 2</i>)	14,751	14,801
	<u>102,847</u>	<u>103,058</u>

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 2016 and 31 December 2015, 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\$3,819,000 (31 December 2015: HK\$3,819,000), were reclassified as other payables and become 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 payable 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 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Secured	<u>143,123</u>	<u>147,534</u>
Carrying amount repayable:		
Within one year	33,509	30,661
More than one year, but not exceeding two years	22,171	9,547
More than two years, but not more than five years	26,254	35,800
More than five years	<u>61,189</u>	<u>71,526</u>
	143,123	147,534
Less: Amounts shown under current liabilities	<u>33,509</u>	<u>30,661</u>
	<u>109,614</u>	<u>116,873</u>

During the current period, the Group settled the loan amounting to HK\$1,788,000.

According to HK Int 5 which requires the classification of whole instalment loans containing the repayment on demand clause as current liabilities, the aggregate carrying amounts of approximately HK\$27,675,000 have been reclassified from non-current liabilities to current liabilities for the six months ended 30 June 2016 (31 December 2015: HK\$28,274,000).

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 2016 and 31 December 2015, 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, amounting to HK\$3,819,000 (31 December 2015: HK\$3,819,000), were reclassified as other payables and become 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.

The convertible notes contain two components, liability, and equity components. The equity component is presented in equity under heading “convertible note equity reserve”. The values of the liability component and the equity conversion component were determined at the issuance of the notes.

	Liability component <i>HK\$'000</i>
At 1 January 2016 (audited)	108,467
Interest charged calculated at an effective interest rate of 14.16%	<u>7,640</u>
At 30 June 2016 (Unaudited)	<u><u>116,107</u></u>

CHAIRMAN'S STATEMENT

Results

For the six months ended 30 June 2016, the Group's revenue amounted to HK\$11,838,000, representing a decrease of 37% as compared to the same period of last year. Due to an exchange loss of HK\$5,676,000 arising from the depreciation of the Renminbi during the period and a decrease of HK\$6,679,000 in the share of profits of associates, the Group recorded a substantial decline in net profit in the first half of the year to HK\$843,000, representing a decrease of 96% as compared to the same period of last year.

Hotel Business

Given the fierce price competition, diversion of customers by neighbouring new hotels and other factors, Guilin Plaza recorded a decline of 4.2% in average occupancy rate and a decrease of 25.2% in average room rate in the first half of the year as compared to the same period of last year. As a result, turnover decreased by 16.3% to HK\$8,165,000 in the first half of the year and operating loss amounted to HK\$4,480,000, representing an increase of 4.5% as compared to the same period of last year.

Property Investment

As of 30 June 2016, the Group's rental income from properties amounted to HK\$2,255,000, which was an increase of HK\$73,000 over the same period of last year. However, although the ancillary facilities enhancement works at Zhongkong Tower in Foshan were completed in the second half of last year and leasing promotion of the building has been commenced in full swing, it will take some time and thus the vacancy rate was still high. In the light of this, the overall occupancy rate fell sharply to 47.2% from 86.0% in the same period of last year. Moreover, as the Group commenced leasing promotion and operation of Zhongkong Tower which has led to a substantial increase in relevant business expenses, the Group recorded a loss in property investment of HK\$1,041,000 as compared to profit for the same period of last year.

During the period, the Group completed the sale of Unit 1401 of President Commercial Centre in Mongkok, Kowloon, Hong Kong, at a price of HK\$5,100,000. In addition, after the end of the interim reporting period, the Group signed a sale and purchase agreement in respect of the disposal of Unit 7, 2nd Floor, Block A of Yan On Building in Mongkok, Kowloon, Hong Kong at a price of HK\$6,250,000. The transaction is expected to be completed on or before 2 September 2016.

Share of Results of Associates

Nanhai Changhai Power Company Limited (“Changhai Power”), a company in which the Group is interested in 32.636% of its equity interest, implemented technological transformation of its boilers at the beginning of the year, resulting in a temporary suspension of operation of the boilers and accordingly a reduction in power generation. Coupled with the impact of the economic downturn on the demand for electricity, for the six months ended 30 June 2016, Changhai Power recorded operating profit of HK\$78,780,000, contributing a profit of HK\$25,710,000 to the Group, representing a decrease of 25.1% as compared to the same period of last year.

Guangdong Financial Leasing Co., Ltd. (“Guangdong Financial Leasing”), a 25%-owned associate of the Group, continued to achieve growth in business. For the six months ended 30 June 2016, Guangdong Financial Leasing recorded net operating profit of HK\$36,523,000, contributing a profit of HK\$9,131,000 to the Group, representing an increase of 27.1% as compared to the same period of last year.

Financial Position and Analysis

For the six months ended 30 June 2016, the Group had total assets of HK\$1,341,882,000 (31 December 2015: HK\$1,352,241,000). The Group had bank loans and other long-term liabilities of HK\$259,230,000 (31 December 2015: HK\$256,001,000). Net assets amounted to HK\$960,814,000 (31 December 2015: HK\$974,419,000). Gearing ratio (being bank loans and long-term borrowings divided by total assets) was 19.3% (31 December 2015: 18.9%). Net assets per share amounted to HK56.11 cents (31 December 2015: HK56.91 cents).

The Group's net current assets amounted to HK\$68,498,000 (31 December 2015: HK\$76,284,000). Current ratio (being current assets divided by current liabilities) was approximately 1.47 times (31 December 2015: 1.53 times), while bank balances and cash amounted to HK\$147,207,000 (31 December 2015: HK\$158,952,000). There will 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 2016, self-occupied and investment properties of the Group with a carrying amount of approximately HK\$313,347,000 were pledged to bank as the security for the bank borrowings granted to the Group (31 December 2015: self-occupied and investment properties of the Group with a carrying amount of approximately HK\$320,147,000 were pledged to bank).

Foreign Exchange Exposure

The Group's main operating income and costs are denominated in Renminbi ("RMB"). 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 RMB to HK dollar appreciates or depreciates by 5%, it will cause an increase or decrease of approximately HK\$12,523,000 in the profit. In retrospect of the past few years, RMB 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 started to trend downward in recent years and an exchange gain of HK\$1,862,000 was recorded in the first half of last year. Yet, RMB experienced another downward adjustment in the second half of last year and was still trending downward up till the first half of this year, resulting in an exchange loss of approximately HK\$5,676,000 by the Group as compared to an exchange gain in the same period of last year. However, the Board believes that the chance of significant RMB depreciation will not be high and will 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

In the second half of the year, the Group will focus its strength in forging ahead with the formation and breakthrough of main operations on the basis of running the existing business well. At the same time, the Group will continue to painstakingly conduct research on industries with good prospects and tap opportunities having potential for long-term development and capable of bringing the corporation's advantages into play, laying a solid foundation for the Company's long-term developments.

EMPLOYEES

The total number of employees of the Group is approximately 172 (31 December 2015: 191). The remuneration of the employees of the Group is determined on the basis of performance and responsibility of the employees. The Group provides education allowances to the employees.

DIVIDEND

The Directors do not recommend payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

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

During the six months ended 30 June 2016, 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 2016, the Company has complied with all the code provisions under the Code.

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 2016, they have complied with the required standard as set out in the Model 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 2016.

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

Hong Kong, 24 August 2016

As at the date of this announcement, the Board consists of five executive directors, namely Mr. HE Xiangming (Chairman), Mr. LIN Pingwu (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.