



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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Zhao Qing Ji (*Chairman*)
Au Tat On

Independent Non-Executive Directors

Yeung Yuen Hei
Chan Mei Bo, Mabel
Wang Dong

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Yip Yuk Sing

AUTHORISED REPRESENTATIVES

Zhao Qing Ji
Yip Yuk Sing

AUDITORS

CCIF CPA Limited

PRINCIPAL BANKER

ICBC (Asia)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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89 Queensway Road
Hong Kong

HONG KONG SHARE REGISTRAR

Tricor Secretaries Limited
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WEBSITE

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LEGAL ADVISER

Michael Li & Co

STOCK CODE

736

INTERIM RESULTS

The board (the "board") of directors (the "directors") of China Properties Investment Holdings Limited (the "company") hereby announces the unaudited consolidated interim results of the company and its subsidiaries (together the "group") for the six months ended 30 September 2008, together with the comparative figures of the corresponding period last year as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

	Note	Six months ended 30 September	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) (Restated) HK\$'000
Turnover	6	13,112	6,124
Direct outgoings		<u>(1,169)</u>	<u>(700)</u>
		11,943	5,424
Valuation (deficit)/gains of investment properties		(163,456)	5,589
Fair value adjustments for trading securities		(113)	–
Other revenue	6	289	418
Administrative expenses		<u>(7,554)</u>	<u>(10,629)</u>
(Loss)/profit from operations		(158,891)	802
Finance costs	7(a)	<u>(4,784)</u>	<u>(1,420)</u>
Loss before taxation	7	(163,675)	(618)
Income tax	8	<u>43,138</u>	<u>(1,844)</u>
Loss for the period		<u><u>(120,537)</u></u>	<u><u>(2,462)</u></u>
Attributable to:			
Equity shareholders of the company		<u><u>(120,537)</u></u>	<u><u>(2,462)</u></u>
Loss per share			
– Basic	10	<u><u>(6.83) cents</u></u>	<u><u>(0.28) cents</u></u>
– Diluted	10	<u><u>–</u></u>	<u><u>–</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2008

	Note	30/9/2008 (Unaudited) HK\$'000	31/3/2008 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	11	1,331	1,498
Investment properties	12	<u>307,277</u>	<u>470,733</u>
		<u>308,608</u>	<u>472,231</u>
Current assets			
Trade and other receivables	13	25,712	19,997
Amount due from a director		–	15
Trading securities		79	192
Cash and cash equivalents		<u>13,721</u>	<u>24,993</u>
		<u>39,512</u>	<u>45,197</u>
Current liabilities			
Other payables and accruals		4,352	4,793
Interest-bearing borrowings		<u>5,676</u>	<u>5,025</u>
		<u>10,028</u>	<u>9,818</u>
Net current assets		<u>29,484</u>	<u>35,379</u>
Total assets less current liabilities		<u>338,092</u>	<u>507,610</u>
Non-current liabilities			
Interest-bearing borrowings		99,889	104,397
Deferred tax liabilities	8	<u>18,358</u>	<u>60,839</u>
		<u>118,247</u>	<u>165,236</u>
NET ASSETS		<u>219,845</u>	<u>342,374</u>
CAPITAL AND RESERVES			
Share capital	15	17,637	17,637
Reserves		<u>202,208</u>	<u>324,737</u>
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		<u>219,845</u>	<u>342,374</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Contributed surplus reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	(Accumulated losses)/ retained profits HK\$'000	Total HK\$'000
At 1 April 2008	17,637	230,357	(11,153)	20,868	51,854	30,178	2,633	342,374
Translation differences	-	-	-	-	-	(1,992)	-	(1,992)
Loss for the period	-	-	-	-	-	-	(120,537)	(120,537)
At 30 September 2008	<u>17,637</u>	<u>230,357</u>	<u>(11,153)</u>	<u>20,868</u>	<u>51,854</u>	<u>28,186</u>	<u>(117,904)</u>	<u>219,845</u>
At 1 April 2007	83,879	40,911	(11,153)	-	-	(94)	(77,603)	35,940
Capital reorganisation	(79,685)	(40,911)	-	20,868	-	-	99,728	-
Issue of new shares	12,582	194,982	-	-	-	-	-	207,564
Exercise of share options	22	147	-	-	-	-	-	169
Translation differences	-	-	-	-	-	1,162	-	1,162
Loss for the period	-	-	-	-	-	-	(2,462)	(2,462)
At 30 September 2007	<u>16,798</u>	<u>195,129</u>	<u>(11,153)</u>	<u>20,868</u>	<u>-</u>	<u>1,068</u>	<u>19,663</u>	<u>242,373</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

	Six months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
Net cash used in operating activities	(937)	(2,250)
Net cash generated from/(used in) investing activities	33	(99,375)
Net cash (used in)/generated from financing activities	(10,413)	282,433
Net (decrease)/increase in cash and cash equivalents	(11,317)	180,808
Cash and cash equivalents at beginning of period	24,993	5,802
Effect of foreign exchange rate changes, net	45	1,153
Cash and cash equivalents at end of period	13,721	187,763
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	13,721	187,763

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

1. CORPORATE INFORMATION

The company was incorporated in Bermuda with limited liability under the Companies Act (1981) of Bermuda and is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The company is an investment holding company. The principal activities of its subsidiaries are investment holding, property investment and provision of building management services.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The condensed consolidated financial statements for the six months ended 30 September 2008 have been prepared in accordance with the applicable disclosure provision of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The preparation of the condensed consolidated financial statements is in conformity with HKAS 34 requiring management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The preparation of the condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 March 2008, except for the adoption of the new Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") as disclosed in note 3 below. The condensed consolidated financial statements do not include all the information and disclosures required for an annual financial statements, and should be read in conjunction with the financial statements of the group for the year ended 31 March 2008.

3. CHANGES IN ACCOUNTING POLICIES

(a) Impact of new and amended HKFRSs and HKASs

The group has adopted, for the first time, the following new interpretations which are effective for the group's financial year beginning on 1 April 2008.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Adoption of the above new interpretations does not have significant impact on the group's operating results or financial position.

(b) Impact of issued but not yet effective HKFRSs and HKASs

The group has not applied the following new and revised HKFRSs and HKASs, that have been issued but are not yet effective, in these interim financial statements:

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Cost ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ⁵
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKAS 39 (Amendments)	Eligible hedged items ⁵
HKFRS 1 & HKAS 27 (Amendments)	Cost of investment in a subsidiary, jointly controlled entities or associates ¹
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ⁵
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 13	Customer Loyalty Programmes ³
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation ⁴

¹ Effect for annual periods beginning on or after 1 January 2009

² Effect for annual periods beginning on or after 1 January 2008

³ Effect for annual periods beginning on or after 1 July 2008

⁴ Effect for annual periods beginning on or after 1 October 2008

⁵ Effect for annual periods beginning on or after 1 July 2009

The group is in the process of making an assessment of what the impact of these new amendments, new standards and new interpretation is expected to be in the period of initial application. So far, it has concluded that the adoption of the above policies may result in new or amended disclosures, they are unlikely to have a significant impact on the group's results of operations and financial position.

4. 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.

Business segments

The group conducts its business within one business segment, i.e. the properties investment segment, which comprises rental of investment properties and property management services. Accordingly, no business segment information is presented.

Geographical segments

All segment revenue, assets, liabilities and capital expenditure are located in the mainland China and therefore no geographical segments are presented.

5. SEASONALITY OF OPERATIONS

The group's property investment have no specific seasonality factor.

6. TURNOVER AND OTHER REVENUE

Turnover represents gross rental income and property management services income after elimination of all intra-group transactions.

	Six months ended	
	30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Turnover		
Gross rental income	11,233	6,124
Property management services income	1,879	-
	13,112	6,124

6. TURNOVER AND OTHER REVENUE *(continued)*

Other revenue

	Six months ended	
	30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income	48	351
Total interest income on financial assets not at fair value through profit or loss	48	351
Sundry income	241	67
	289	418

7. LOSS BEFORE TAXATION

The group's loss before taxation is arrived at after charging:

	Six months ended	
	30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(a) Finance cost		
Interest on bank loans wholly repayable over five years	4,784	1,420
(b) Other items		
Staff costs (including directors remuneration)		
– Wages, salaries and other benefits	2,742	2,431
– Pensions scheme contribution	45	53
	2,787	2,484
Depreciation	198	124
Minimum lease payments under operating leases for land and buildings (including directors' quarter)	928	1,917
Auditor's remuneration	243	310
Valuation deficit of investment properties	163,456	–
Fair value adjustments for trading securities	113	–

8. INCOME TAX

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

	Six months ended	
	30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Deferred tax		
Reversal/(charge) for the period	<u>43,138</u>	<u>(1,844)</u>
	<u>43,138</u>	<u>(1,844)</u>

Note:

(i) Hong Kong profits tax

Hong Kong profits tax is not provided for the period as the group did not have profits assessable to Hong Kong profits tax for the period (2007: HK\$nil).

(ii) Deferred taxation

The amount represented reversal of deferred tax arising from the fair value adjustments of investment properties held by the subsidiary in mainland China during the period is HK\$43,138,000 (2007: Deferred tax charged for HK\$1,844,000).

(b) Movements of deferred tax liabilities in the condensed consolidated balance sheet are as follows:

	At 30	At 31
	30 September	31 March
	2008	2008
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Balance brought forward	60,839	60,515
Deferred tax charged to the income statement	(43,138)	(6,962)
Exchange alignment	<u>657</u>	<u>7,286</u>
	<u>18,358</u>	<u>60,839</u>

9. DIVIDENDS

The directors do not recommend the payment of any dividend for both periods.

10. LOSS PER SHARE

The calculation of basic loss per share is based on the following data:

	Six months ended	
	30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<hr/>		
Loss for the purpose of basic loss per shares attributable to equity shareholders of the company	(120,537)	(2,462)
	<u> </u>	<u> </u>
	Number of	Number of
	ordinary	ordinary
	shares	shares
<hr/>		
Weighted average number of ordinary shares for basic loss per share	1,763,698,191	892,319,607
Deemed issue of ordinary shares under the company's share option	N/A	N/A
	<u> </u>	<u> </u>
Weighted average number of ordinary shares at 30 September for diluted loss per share	N/A	N/A
	<u> </u>	<u> </u>

Diluted loss per share for the period ended 30 September 2008 and 2007 have not been disclosed as the impact of the potential ordinary shares was anti-dilutive.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2008, the group acquired plant and equipment at a cost of approximately HK\$14,000 (2007: approximately HK\$788,000).

12. INVESTMENT PROPERTIES

All of the group's investment properties were revalued on 30 September 2008 and 31 March 2008 by Castores Magi (Hong Kong) Limited, an independent professional valuer, who has appropriate qualification and experience in the valuation of properties in the relevant locations, on a market value basis, after taking into consideration the net rental income receivable from the existing tenancies and the reversionary rental income potential where appropriate.

The fair value of the investment properties were HK\$307,277,000 on 30 September 2008 (31 March 2008: HK\$470,733,000).

13. TRADE AND OTHER RECEIVABLES

An aged analysis of the rental receivables as at the balance sheet date, based on invoice date and net of allowance for doubtful debts, is as follows:

	At 30 September 2008 (Unaudited) HK\$'000	At 31 March 2008 (Audited) HK\$'000
Within 3 months past due	5,218	1,537
More than 3 months but less than 6 months past due	2,289	580
More than 6 months past due	38	–
Trade receivables, net	7,545	2,117
Prepayment, deposits and other receivables	18,167	17,880
	25,712	19,997

14. SHARE OPTIONS

During the six months ended 30 September 2008, no share option has been granted under the option scheme.

15. SHARE CAPITAL

	At	At
	30 September	31 March
	2008	2008
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
At the beginning of period/year	17,637	83,879
Capital reorganization (<i>note i</i>)	–	(79,685)
Issue of new shares (<i>note ii</i>)	–	12,582
Exercise of share options (<i>note iii</i>)	–	22
Issue of new shares (<i>note iv</i>)	–	839
	17,637	83,879
At the end of period/year	17,637	17,637

- (i) By ordinary resolutions passed at a special general meeting held on 21 May 2007 for the capital reorganisation 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 shares.

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 419,392,885 shares of HK\$0.19 each together with the associated share premium of amount HK\$40.9 million. Under the capital reorganisation scheme, a credit of approximately HK\$120.6 million arose. Such amount was transferred to the contributed surplus account. Part of the contributed surplus was applied to eliminate the accumulated deficits amounting to approximately HK\$99.7 million. A surplus of approximately HK\$20.9 million standing to the credit of the contributed surplus account was remained after the completion of the capital reorganisation. The contributed surplus was arising from capital reduction and share premium reduction on 21 May 2007. It may be utilised by the directors in accordance with the Bye-laws of the company and all applicable laws of Bermuda, including to apply such credit against the accumulated losses of the company.

- (ii) 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.
- (iii) 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.
- (iv) 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.

16. RELATED PARTY TRANSACTIONS

The group had the following transactions with related parties during the six months ended 30 September 2008.

(a) Key management personnel remuneration

The key management personnel of the group are the directors of the company. The remuneration of directors during the six months ended 30 September 2008 was as follows:

	Six months ended	
	30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Salaries and other benefits	859	830
Contribution to retirement benefit scheme	12	34
	871	864

(b) Other related party transactions

There was no other related party transaction during the period 2008. During the period 2007, Ms. Pan Chien Pu, an ex-shareholder of the company, advanced HK\$3,150,000 to the group. The advance is unsecured, interest-free and repayable on demand.

17. COMMITMENTS

(a) Capital commitments

As at the balance sheet date, the group had the following commitments:

	At	At
	30 September	31 March
	2008	2008
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Purchase of investment properties		
– Contracted for but not provided for	–	15,435

17. COMMITMENTS *(continued)*

(b) Operating lease commitments

i) The group as lessor:

The group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to ten years. The terms of the leases generally require the tenants to pay security deposits. At the balance sheet date, the group had total future minimum lease payments receivable under noncancellable operating leases with its tenants falling due as follows:

	At	At
	30 September	31 March
	2008	2008
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within one year	17,456	25,279
In the second to fifth years, inclusive	57,744	65,105
Over five years	37,996	43,916
	113,196	134,300

ii) The group as lessee:

At the balance sheet date, the group had total future minimum lease payments under the non-cancellable operating lease falling due as follows:

	At	At
	30 September	31 March
	2008	2008
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within one year	3,599	2,396
In the second to fifth years, inclusive	2,794	3,924
Over five years	-	-
	6,393	6,320

18. CHARGES ON GROUP'S ASSETS

The group's investment properties situated in Shanghai, mainland China are all rented out and HK\$191,749,000 (31 March 2008: HK\$305,120,000) of the group's investment properties have been pledged to a bank to secure credit facilities granted to the group.

19. LITIGATION

In 1998, the company brought up legal proceedings against ASG Capital Limited and ASG Brokerage Limited (the "Defendants") for breach of the placing and underwriting agreement dated 9 December 1997 in that the Defendants failed to fulfill their underwriting obligations thereunder and for the recovery of HK\$40 million being the economic loss suffered by the company together with interest and legal cost. The proceedings are now in pre-trial stage of discovery of documents of the parties and the date of the trial has not been fixed. The last action of the parties to the proceedings took place in middle of 2005 when solicitors acting for the company in the legal proceedings served a notice to inspect documents to those acting for the Defendants.

20. NON-ADJUSTING POST BALANCE SHEET EVENT

On 10 July 2007, the group entered into a sale and purchase agreement (the "Agreement") with Shanghai Xu Hui Co., Ltd. (the "Vendor") for the purchase of a property for a consideration of HK\$30,871,000. Pursuant to the Agreement, a deposit of HK\$15,435,000 was paid on 5 September 2007.

As the mortgages of the property have not been discharged as at 30 June 2008, the group served a termination notice to the Vendor on 2 July 2008 to cancel and terminate the agreement and requested the Vendor to refund the deposit, together with the accrued interest at an interest rate of 5% per annum, being calculated from the date of receipt of the deposit to the date of refund of the deposit. Pursuant to the termination notice, 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.

On 2 October 2008, the Vendor failed to refund the deposit within 3 months from the date of the termination notice.

On 17 November 2008, the Vendor and the group entered into a settlement agreement (the "Settlement Agreement") dated 17 November 2008 before 上海市徐匯區人民法院 (Shanghai Xu Hui District Court). Pursuant to the Settlement Agreement, the Vendor agreed to refund to the group the deposit in the principal sum of HK\$ 15,435,000 together with accrued interest in the amount of approximately HK\$952,384 (the "Outstanding Amount") on or before 24 November 2008.

On 1 December 2008, the Vendor fails to repay the Outstanding Amount in accordance with the Settlement Agreement.

In view of the financial position of the Vendor, on 1 December 2008 the Vendor and the group entered into a repayment agreement (the "Repayment Agreement") pursuant to which the Vendor agrees to repay the Outstanding Amount in four installments within the period from 5 December 2008 to 31 March 2009. The vendor had settled the first installment on 5 December 2008.

21. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform with the current period's presentation.

22. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved and authorised for issue by the board on 16 December 2008.

INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividends for the six months ended 30 September 2008 (2007: Nil). Accordingly, no closure of register of members of the company is proposed.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

The group continued to focus on the properties investment business for the period under review. As at 30 September 2008, the aggregate gross floor area of the investment properties being held by the group was approximately 10,736 square meters, all of which were leased to third parties under operating leases with lease terms ranging from one years to ten years.

For the period under review, the group's turnover was approximately HK\$13.1 million (2007: approximately HK\$6.1 million), representing an increase of approximately 114% compared with the same period 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. The unaudited net loss for the period under review was approximately HK\$120.5 million and the loss per share for was HK6.83 cents (2007: HK0.28 cents). The loss for the period was mainly attributable to the unrealized loss on fair value change of the group's investment properties. The directors believe that such fair value change was resulting from the macro economic austerity policies of the mainland China as well as the impact of the global financial crisis. However, there was no cash flow impact on the group for such loss. Meanwhile, the corresponding reduction in accumulated deferred tax provision for the investment properties of the group amounted to approximately HK\$43.1 million for the period which helped to relieve the overall losses of the group.

The administrative expenses of the group for the period amounted to approximately HK\$7.5 million, representing a decrease of approximately 29% compared with the same period last year. The finance cost of the group amounted to approximately HK\$4.8 million which was incurred for the bank loans under the security of two investment properties in Shanghai.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Liquidity and Financial Resources

As at 30 September 2008, the group's net current assets were approximately HK\$29.5 million (at 31 March 2008: approximately HK\$35.4 million), including cash and bank balance of approximately HK\$13.7 million (at 31 March 2008: approximately HK\$25 million).

The group had bank borrowings of approximately HK\$105.6 million as at 30 September 2008 (at 31 March 2008: approximately HK\$109.4 million). All of the borrowings were bank loans under security, of which 5.4% were due within one year from balance sheet date, 5.4% were due more than one year but not exceeding two years, 26.9% were due more than two years but not exceeding five years and 62.3% were due more than five years. The gearing ratio, defined as the percentage of total bank borrowings to total equity, was approximately 48% (at 31 March 2008: 32%).

Investment Position

The group did not have any significant investment position in stocks, bonds and other financial derivatives as at 30 September 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. During the period under review, the group did not use any financial instruments for hedging purposes.

Capital Structure

There was no changes in capital structure of the company for the period ended 30 September 2008.

Charges on group's Assets

As at 30 September 2008, the group's investment properties with a value of approximately HK\$191.7 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Contingent Liabilities

As at 30 September 2008, the group does not have any material contingent liability (2007: HK\$nil).

Acquisition and Disposal of Subsidiaries

There was no acquisition and disposal of subsidiaries and affiliated companies of the group during the period ended 30 September 2008.

Employees

As at 30 September 2008, the group had 36 employees. The remuneration was determined with reference to statutory minimum wages, market terms and the performance, qualification and experience of individual employees. The group provides contributory provident fund and insurance scheme to the employees. Share option scheme and incentive schemes are adopted to encourage personal commitment of employees.

Outlook

The prolonged economic austerity measures of the mainland China during the first half of 2008 and the volatility of the global financial market adversely affected the property sector in the mainland China. In addition, Shanghai is now facing the problem of oversupply in commercial properties. In accordance with the recently published property research, Shanghai will take at least 4 years to fully digest the existing vacant commercial properties as well as the new supplies in foreseeable future. As the industry outlook remains weak, it is not too surprising with dramatic downturn of China's property market.

The global financial crisis has continued to shake global markets and the global economy is likely to slip into recession. We believe it will lead to a slowdown in mainland China's economic growth in the years to come. As the operations of the group are primarily located in the mainland China, it will have adverse impact on the financial performance of the group inevitably. The group will adopt conservative strategies in its business development in short-term and will also exercise stringent cost control during the depressing time.

Looking ahead, we are still optimism for the long term economic outlook of mainland China. The group will continue to look for any profitable investment opportunities even in any other steam in the long run.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the company, nor any of its subsidiaries purchased, redeemed or sold any of the company's listed securities during the period ended 30 September 2008.

DIRECTORS' INTEREST AND SHORT POSITIONS IN SHARES

As at 30 September 2008, the interests and short positions of the directors of the company in the share capital of the company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in shares of the company

Name of director	Capacity of shares held	No. of Shares held	Percentage of issued share capital
Zhao Qing Ji (<i>Note</i>)	Interest of a controlled corporation	562,630,358	31.90%

Note: The interest was held by Profit Key Group Limited ("Profit Key"), a company wholly owned by Mr. Zhao Qing Ji.

Save as disclosed above, as at 30 September 2008, none of directors had registered an interest or short position in the shares of the company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme in note 32 to the financial statements of the company as at 31 March 2008, at no time during the period under review were rights to acquire benefits by means of the acquisition of shares in or debentures of the company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

As at 30 September 2008, so far as was known to the directors of the company, the following parties being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the company, were recorded in the register kept by the company under section 336 of the SFO:

Long positions in shares of the company

Name	Capacity of shares held	No. of Shares held	Percentage of issued share capital
Profit Key (Note)	Beneficial owner	562,630,358	31.90%
Xu Dong	Beneficial owner	121,585,000	6.89%
Xie Hong Miao	Beneficial owner	128,840,000	7.31%

Note: Profit Key is wholly owned by Mr. Zhao Qing Ji who is the director of the company.

Save as disclosed above, as at 30 September 2008, no other interest or short position in the share of the company were recorded in register required to be kept under section 336 of the SFO.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The company has adopted the Model Code for Securities Transactions by directors (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors. Having made specific enquiry with the directors, all directors confirmed that they had complied with the required standards as set out in the Model Code throughout the period.

CORPORATE GOVERNANCE

The company has complied with the code provisions as set out in the Code of Corporate Governance Practice in Appendix 14 of the Listing Rules throughout the period ended 30 September 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 period under review, which was deviated from the requirement of the code provision A.2.1. The board considered that this structure was conducive with strong and consistent leadership, enabling the company to respond promptly and efficiently.

AUDIT COMMITTEE

During the period under review, the audit committee of the company (the "Audit Committee") comprises three independent non-executive Directors, namely 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 results of the group for the period ended 30 September 2008 was reviewed by the Audit Committee.

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

Hong Kong, 16 December 2008