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漢國置業有限公司
Hon Kwok Land Investment Company, Limited
(Incorporated in Hong Kong with limited liability)
(Stock Code: 160)

2011-12 INTERIM RESULTS ANNOUNCEMENT

RESULTS

The directors (the “Directors”) of Hon Kwok Land Investment Company, Limited (the “Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2011 together with comparative figures for the corresponding period in the prior year as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended	
		30 September	
		2011	2010
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	2	403,888	71,588
Cost of sales		(288,833)	(43,644)
Gross profit		115,055	27,944
Other income	3	6,679	4,970
Fair value gains on investment properties, net		98,782	128,893
Administrative expenses		(25,333)	(25,259)
Other operating expenses, net		(3,676)	(7,898)
Finance costs	4	(25,648)	(19,879)
Share of profits and losses of jointly-controlled entities		327	211
Profit before tax	5	166,186	108,982
Income tax expense	6	(51,300)	(32,559)
Profit for the period		114,886	76,423
Attributable to:			
Owners of the Company		87,965	76,136
Non-controlling interests		26,921	287
		114,886	76,423
Earnings per share attributable to ordinary equity holders of the Company	7		
Basic		18.32 HK cents	15.85 HK cents
Diluted		17.98 HK cents	15.11 HK cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Profit for the period	114,886	76,423
Other comprehensive income for the period		
Exchange differences on translation of foreign operations	<u>149,168</u>	<u>81,755</u>
Total comprehensive income for the period	<u>264,054</u>	<u>158,178</u>
Attributable to:		
Owners of the Company	230,698	153,945
Non-controlling interests	<u>33,356</u>	<u>4,233</u>
	<u>264,054</u>	<u>158,178</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 30 September 2011 (Unaudited) <i>HK\$'000</i>	At 31 March 2011 (Audited) <i>HK\$'000</i>
NON-CURRENT ASSETS		
Property, plant and equipment	49,887	50,386
Investment properties	5,016,209	4,776,851
Investments in jointly-controlled entities	262	257
Total non-current assets	5,066,358	4,827,494
CURRENT ASSETS		
Amounts due from jointly-controlled entities	54	31
Tax recoverable	23,913	32,198
Properties held for sale under development and properties held for sale	1,819,946	1,794,748
Trade receivables	5,122	2,389
Prepayments, deposits and other receivables	66,256	74,123
Pledged deposits	122,085	96,974
Cash and cash equivalents	1,217,681	992,403
Total current assets	3,255,057	2,992,866
CURRENT LIABILITIES		
Trade payables and accrued liabilities	126,691	94,160
Interest-bearing bank borrowings	570,021	730,802
Customer deposits	441,201	670,433
Convertible bonds	-	108,355
Tax payable	70,912	59,676
Total current liabilities	1,208,825	1,663,426
NET CURRENT ASSETS	2,046,232	1,329,440
TOTAL ASSETS LESS CURRENT LIABILITIES	7,112,590	6,156,934
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	2,263,360	1,541,687
Deferred tax liabilities	470,972	440,607
Total non-current liabilities	2,734,332	1,982,294
Net assets	4,378,258	4,174,640

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	At 30 September 2011 (Unaudited) HK\$'000	At 31 March 2011 (Audited) HK\$'000
EQUITY		
Equity attributable to owners of the Company		
Issued capital	480,286	480,286
Equity component of convertible bonds	-	7,802
Reserves	3,685,842	3,447,342
Proposed final dividend	-	60,036
	<u>4,166,128</u>	<u>3,995,466</u>
Non-controlling interests	<u>212,130</u>	<u>179,174</u>
Total equity	<u>4,378,258</u>	<u>4,174,640</u>

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The unaudited condensed interim consolidated financial statements for the six months ended 30 September 2011 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and 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”).

The unaudited condensed interim 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 March 2011.

Accounting policies

The accounting policies and basis of preparation adopted in the preparation of this unaudited condensed interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 March 2011 except the Group has adopted the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA which are effective for the Group’s financial year beginning on or after 1 April 2011.

HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 April 2011 although there are separate transitional provisions for each standard.

The adoption of these new and revised HKFRSs has had no significant financial effect on the unaudited condensed interim consolidated financial statements.

The HKICPA has issued a number of new standards, interpretations and amendments to standards which are not effective for the accounting period beginning 1 April 2011. The Group has not early adopted these new and revised HKFRSs.

2. OPERATING SEGMENT INFORMATION

The Group is principally engaged in property development, property investment and property related activities. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Operating segments are reported in a manner consistent with the internal reporting provided to key management personnel. An analysis of the Group's revenue and results by operating segments is as follows:

	Six months ended 30 September 2011 (Unaudited)			
	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:				
Sales to external customers	<u>332,157</u>	<u>52,447</u>	<u>19,284</u>	<u>403,888</u>
Segment results	<u>79,405</u>	<u>127,969</u>	<u>(5,291)</u>	<u>202,083</u>
<i>Reconciliation:</i>				
Interest income				3,232
Unallocated expenses				(13,808)
Finance costs				(25,648)
Share of profits and losses of jointly-controlled entities				<u>327</u>
Profit before tax				<u><u>166,186</u></u>

	Six months ended 30 September 2010 (Unaudited)			
	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:				
Sales to external customers	<u>24,122</u>	<u>31,225</u>	<u>16,241</u>	<u>71,588</u>
Segment results	<u>638</u>	<u>147,060</u>	<u>(1,122)</u>	<u>146,576</u>
<i>Reconciliation:</i>				
Interest income				1,261
Unallocated expenses				(19,187)
Finance costs				(19,879)
Share of profits and losses of jointly-controlled entities				<u>211</u>
Profit before tax				<u><u>108,982</u></u>

3. OTHER INCOME

	Six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Bank interest income	3,232	1,261
Gain on disposal of investment properties, net	1,050	860
Others	2,397	2,849
	<u>6,679</u>	<u>4,970</u>

4. FINANCE COSTS

	Six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Interest on bank loans, overdrafts and other loans (including convertible bonds) wholly repayable within five years	34,172	28,828
Interest on bank loans wholly repayable after five years	1,175	2,144
	<u>35,347</u>	<u>30,972</u>
Less: Interest capitalized under property development projects	<u>(9,699)</u>	<u>(11,093)</u>
	<u>25,648</u>	<u>19,879</u>

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Depreciation	3,816	1,753
Employee benefits expense (including directors' remuneration)	12,165	13,970
Less: Amounts capitalized under property development projects	<u>(2,290)</u>	<u>(2,700)</u>
	<u>9,875</u>	<u>11,270</u>

6. INCOME TAX

	Six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Group:		
Current – Outside Hong Kong	26,213	5,571
Deferred	25,087	26,988
Total tax charge for the period	51,300	32,559

No Hong Kong profits tax has been provided as the Group companies have available tax losses brought forward from prior years to offset the assessable profits generated during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company and the number of ordinary shares in issue during the period.

The calculation of diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible bonds, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed conversion of all outstanding convertible bonds into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	87,965	76,136
Interest on convertible bonds, net of tax and interest capitalization	157	-
Profit attributable to ordinary equity holders of the Company before interest on convertible bonds	88,122	76,136

	Number of shares	
	2011	2010
	(Unaudited)	(Unaudited)
Shares		
Number of ordinary shares in issue during the period used in the basic earnings per share calculation	480,286,201	480,286,201
Effect of dilution – weighted average number of ordinary shares:		
Convertible bonds	9,745,719	23,466,667
	490,031,920	503,752,868

8. TRADE RECEIVABLES

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice/contract date, is as follows:

	At 30 September 2011 (Unaudited) HK\$'000	At 31 March 2011 (Audited) HK\$'000
Within 30 days	4,575	1,752
31 to 60 days	303	431
61 to 90 days	116	206
Over 90 days	128	-
Total	<u>5,122</u>	<u>2,389</u>

Monthly rent in respect of leased properties is payable in advance by the tenants pursuant to the terms of the tenancy agreements. The balance of the consideration in respect of sold properties is payable by the purchasers pursuant to the terms of the sale and purchase agreements. Overdue trade debts are monitored closely by management and are provided for in full in case of non-recoverability. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

9. TRADE PAYABLES AND ACCRUED LIABILITIES

Included in the trade payables and accrued liabilities are trade payables of HK\$10,859,000 (at 31 March 2011: HK\$13,320,000). An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	At 30 September 2011 (Unaudited) HK\$'000	At 31 March 2011 (Audited) HK\$'000
Within 30 days	<u>10,859</u>	<u>13,320</u>

10. CONVERTIBLE BONDS

During the period, the outstanding principal of the 3.5% Convertible Bonds due June 2011 in the amount of HK\$88 million was redeemed in full upon maturity on 27 June 2011 together with the redemption premium. The aggregate redemption amount was HK\$109,602,000.

11. CONTINGENT LIABILITIES

As at 30 September 2011, the Group has given guarantees of HK\$210,729,000 (as at 31 March 2011 (audited): HK\$306,671,000) to banks for housing loans extended by the banks to the purchasers of the Group's properties for a period from the date the loans are granted to the purchasers up to the date of issuance of property title certificates to the purchasers.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2011.

CORPORATE GOVERNANCE

Compliance with Model Code for Securities Transactions By Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct for directors' securities transactions. Having made specific enquiry, all the directors have confirmed that they have complied with the required standard as set out in the Model Code during the six months ended 30 September 2011.

Compliance with the Code on Corporate Governance Practices

In the opinion of the Directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules for the six months ended 30 September 2011, except for the following deviations:

1. CG Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Currently, Mr. James Sai-Wing Wong is the Chairman of the Company and assumes the role of the Chairman and also the chief executive officer. Given the nature of the Group's businesses which require considerable market expertise, the Board believes that the vesting of the two roles for the time being provides the Group with stable and consistent leadership and allows for more effective planning and implementation of long term business strategies. The Board will continuously review the effectiveness of the structure to balance the power and authority of the Board and the management.

2. CG Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election and CG Code provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election in accordance with the articles of association of the Company (the "Articles of Association"). The Articles of Association do not require the directors to retire by rotation at least once every three years. However, in accordance with article 104 of the Articles of Association, at each annual general meeting of the Company, one-third of the directors for the time being (or, if their number is not three or a multiple of three, then the number nearest one-third), other than the one who holds the office as executive chairman or managing director, shall retire from office by rotation. The Board will ensure the retirement of each director, other than the one who holds the office as executive chairman or managing director, by rotation at least once every three years in order to comply with the CG Code provisions.

The Chairman will not be subject to retirement by rotation as stipulated in CG Code provision A.4.2 as the Board considers that the continuity of office of the Chairman provides the Group with a strong and consistent leadership and is of great importance to the smooth operations of the Group.

All directors appointed to fill a casual vacancy is subject to re-election by shareholders at the next following annual general meeting of the Company instead of at the first general meeting after their appointment as stipulated in CG Code provision A.4.2.

3. CG Code provision B.1.3 stipulates that the terms of reference of the remuneration committee should include, as a minimum, those specific duties as set out in the CG Code provisions. The Company adopted the terms of reference of the remuneration committee on 16 December 2005 with certain deviations from the CG Code provisions. Pursuant to the terms of reference, the remuneration committee should review (as opposed to determine) and make recommendations to the Board on the remuneration of directors (as opposed to directors and senior management).
4. The terms of reference of the remuneration committee and audit committee of the Company are available from the Company Secretary on request and not yet ready on the Company's website as stipulated in CG Code provisions B.1.4 and C.3.4.

Audit Committee

Regular meetings have been held by the Audit Committee of the Company since its establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal control. The Company's interim results for the six months ended 30 September 2011 have not been audited, but have been reviewed by the Audit Committee.

FINANCIAL REVIEW

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to approximately HK\$2,833 million as at 30 September 2011 (as at 31 March 2011: HK\$2,381 million), of which approximately 20% (as at 31 March 2011: 35%) of the debts were classified as current liabilities. Included therein was HK\$193 million (as at 31 March 2011: HK\$196 million) related to bank loans with repayable on demand clause. Based on the repayment schedules pursuant to the related loan agreements, the current portion of the total interest-bearing debts was approximately 13%. The increase in total debts was mainly due to the refinancing of an investment property in Hong Kong with increased facility and the drawdown of additional bank loans for capital injection into mainland development projects.

Total cash and bank balances including time deposits were approximately HK\$1,340 million as at 30 September 2011 (as at 31 March 2011: HK\$1,089 million). The Group had a total of approximately HK\$603 million committed but undrawn banking facilities at period end available for its working capital purpose.

Total shareholders' funds as at 30 September 2011 were approximately HK\$4,166 million (as at 31 March 2011: HK\$3,995 million). The increase was mainly due to current period's profit attributable to shareholders.

The gearing ratio of the Group, as measured by the net interest-bearing debts of approximately HK\$1,493 million (as at 31 March 2011: HK\$1,292 million) over the shareholders' funds plus non-controlling interests totalling of approximately HK\$4,378 million (as at 31 March 2011: HK\$4,175 million), was 34% as at 30 September 2011 (as at 31 March 2011: 31%).

Funding and treasury policies

There are no significant changes in the Group's funding and treasury policies. As at 30 September 2011, the Group had no material exposure under foreign exchange contracts or any other hedging instruments.

Pledge of assets

Properties and bank balances with an aggregate carrying value of approximately HK\$5,323 million as at 30 September 2011 were pledged to secure certain banking facilities of the Group.

Employees and remuneration policies

The Group, not including its jointly-controlled entities, employed approximately 360 employees as at 30 September 2011. There have been no significant changes in the remuneration policies and benefits to the employees of the Group.

FINANCIAL RESULTS

The Group's unaudited consolidated turnover and net profit attributable to shareholders for the six months ended 30 September 2011 amounted to HK\$404 million (2010: HK\$72 million) and HK\$88 million (2010: HK\$76 million), respectively. Basic earnings per share were 18.32 Hong Kong cents (2010: 15.85 Hong Kong cents). As at 30 September 2011, the shareholders' equity amounted to HK\$4,166 million (as at 31 March 2011: HK\$3,995 million) and net assets per share attributable to shareholders were HK\$8.67 (as at 31 March 2011: HK\$8.32).

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2011 (2010: Nil).

BUSINESS REVIEW

Property Development and Sales

Botanica Phase 2 寶翠園二期, Guangzhou, PRC

The **Botanica 寶翠園**, situated in the greenery zone of Tian He District near the Botanical Garden, comprises 39 blocks of high-rise residential building. This project, with total gross floor area of approximately 229,000 sq.m., is scheduled for development and pre-sale by phases. All eight blocks totalled 332 units had been delivered to purchasers of **Botanica Phase 1 寶翠園一期** in the prior years.

Botanica Phase 2 寶翠園二期 also comprises eight blocks of 420 units. Included therein are four blocks totalled 221 flats, of which over 98% have been delivered to individual purchasers and the profits derived therefrom have been recognised in the income statement during the period under review. Delivery of the remaining four blocks of 199 units, of which 99% have already been pre-sold, commenced in this month and the profits derived therefrom are to be recognised in the second half of this financial year. Construction works of **Botanica Phase 3 寶翠園三期**, comprises 12 blocks of about 550 units, are expected to be commenced in next quarter.

Metropolitan Oasis 雅瑤綠洲, Nanhai, PRC

The project, with total gross floor area of approximately 273,000 sq.m. (excluding car parking spaces), is situated in Da Li District, Nanhai and scheduled for development by phases. Phase 1 comprises 71 town houses of about 18,000 sq.m. and high-rise apartments of about 120,000 sq.m. Construction works of the town houses are scheduled to be completed by early next year whilst foundation works of the high-rise apartments have been commenced. The aforesaid town houses, upon completion, will be launched to the market for sale in next year.

Dong Guan Zhuan Road and Beijing Nan Road projects, Guangzhou, PRC

The development sites at Dong Guan Zhuan Road, Tian He District with total gross floor area of approximately 266,000 sq.m. are at the planning stage. The design of the project sites at 45-107 Beijing Nan Road, Yue Xiu District with total gross floor area of approximately 62,000 sq.m. is in progress.

Property Investment

Shenzhen, PRC

Foundation works of **Hon Kwok City Commercial Centre** 漢國城市商業中心, an 80-storey commercial/residential tower with total gross floor area of 128,000 sq.m., are scheduled to be completed by the end of this year and superstructure construction is expected to be completed in 2014. This signature building, situated at the junction of Shen Nan Zhong Road and Fu Ming Road, Futian District, is intended to be held by the Group for recurrent rental income upon completion.

The retail shops at ground level and the entire level 2 of the commercial podium of **City Square** 城市天地廣場, situated at Jia Bin Road, Luo Hu District, enjoy full occupancy. The average occupancy rate of **The Bauhinia Hotel (Shenzhen)** 寶軒酒店(深圳), a 158-room hotel at levels 3 to 5 of the podium which opened for business in March 2011, is encouraging whilst that of **City Suites** 寶軒公寓, a 64-unit serviced apartments atop of the podium, maintains at a satisfactory level.

Guangzhou, PRC

Ganghui Dasha 港滙大廈, situated at the junction of Beijing Road, Nanti Er Road and Baqi Er Road, Yue Xiu District, is a 20-storey commercial and office building with current occupancy rate over 95%.

The Bauhinia Hotel (Guangzhou) 寶軒酒店(廣州), situated at Jie Fang Nan Road, Yue Xiu District, is a 166-room hotel leased by the Group and has been opened for business since February 2011. Its average occupancy and room rates are both satisfactory.

Chongqing, PRC

Chongqing Hon Kwok Centre 重慶漢國中心, situated in Bei Bu Xin Qu, is a 21-storey twin-tower office building atop of a 4-storey retail/commercial podium. Three floors of the podium and entire block of one tower have been fully leased out and leasing status for the other tower is approximately 80%.

Foundation works of **Chongqing International Finance Centre** 重慶國際金融中心, adjacent to the above completed project, have been commenced. This twin-tower project, with total gross floor area of 133,502 sq.m., is being developed into a grade A office tower and a 5-star hotel with serviced apartments on top of a retail/commercial podium.

Hong Kong

All ground floor retail areas at the hotel/apartment building at Connaught Road Central and Des Voeux Road Central have been fully leased out except for one small shop. The average occupancy and room rates of **The Bauhinia Hotel (Central)** 寶軒酒店(中環), a 42-room boutique hotel at the podium floors which opened for business in May 2011, are quite encouraging. **The Bauhinia** 寶軒, a 171-room serviced apartments atop of the above hotel, are currently being occupied with approximately 90%.

The Bauhinia Hotel (TST) 寶軒酒店 (尖沙咀), a 44-room boutique hotel, is situated at nine upper floors of the 23-storey **Knutsford Place** 諾士佛廣場 at Observatory Court, Tsim Sha Tsui. It has been opened for business over one year with satisfactory average occupancy and room rates. The remaining commercial and office floors are being launched to the market for leasing.

Hon Kwok Jordan Centre 漢國佐敦中心, situated at Hillwood Road, Tsim Sha Tsui, is a 23-storey commercial and office building with current occupancy rate over 90%.

The Bauhinia 寶軒 Group of Hotels and Serviced Apartments

About 650 guest rooms are currently being operated by the Group under the brand name of “**The Bauhinia 寶軒**” in Hong Kong, Shenzhen and Guangzhou. Coupled with our enlarged investment property portfolios in Mainland China, the Group’s recurrent rental income has been enhanced during the period under review.

OUTLOOK

The global economy remains volatile. The Euro Zone’s sovereign debt crisis, especially the events which led to changes in political leaderships of certain constituent countries, continued to assert a negative effect for economic recovery in the region. On the other hand, the recent U.S. economic data showed no signs of improvement in the near term.

China reported a 9.1% GDP growth for the third quarter of 2011 and 5.5.% inflation in October. The continuous implementation of financial and administrative measures under Central Government’s macroeconomic guidelines seemed to stabilize the once over-heated residential property market in its major cities. These measures are expected to remain until the property prices return to a reasonable and affordable level. A similar scenario appeared in Hong Kong’s property market during the same period. Likewise, property prices in Hong Kong has eased in response to the tightening of monetary and regulatory measures introduced by the Government.

The Board remains optimistic about the property market in Mainland China due to its sustainable economic growth fostered by enormous domestic demand and competitive export workforce. The Hong Kong property market will remain volatile as affected by global economic uncertainties.

James Sai-Wing Wong
Chairman

Hong Kong, 28 November 2011

At the date of this announcement, the directors of the Company are Mr. James Sai-Wing Wong, Madam Madeline May-Lung Wong, Mr. Herman Man-Hei Fung, Mr. Yuen-Keung Chan and Mr. Xiao-Ping Li and the independent non-executive directors are Dr. Daniel Chi-Wai Tse, Mr. Kenneth Kin-Hing Lam and Professor Hsin-Kang Chang.