漢國置業有限公司

Hon Kwok Land Investment Company, Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 160)

2012-13 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 2012 together with comparative figures for the corresponding period in the prior year as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
		2012	2011
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
			(Restated)
Revenue	*3*	**91,224**	403,888
Cost of sales		**(37,402)**	(288,833)
Gross profit		**53,822**	115,055
Other income	*4*	**7,383**	6,679
Fair value gains on investment properties, net		**228,827**	98,782
Administrative expenses		**(25,785)**	(25,333)
Other operating expenses, net		**(1,869)**	(3,676)
Finance costs	*5*	**(25,423)**	(25,648)
Share of profits and losses of jointly-controlled entities		**-**	327
Profit before tax	*6*	**236,955**	166,186
Income tax expense	*7*	**(10,226)**	(44,568)
Profit for the period		**226,729**	121,618
Attributable to:			
Owners of the Company		**226,691**	94,697
Non-controlling interests		**38**	26,921
		226,729	121,618
Earnings per share attributable to ordinary equity holders of the Company	*8*		
Basic		**47.20 HK cents**	19.72 HK cents
Diluted		**47.20 HK cents**	19.36 HK cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September 2012 (Unaudited) *HK$'000*	2011 (Unaudited) *HK$'000* (Restated)
Profit for the period	**226,729**	121,618
Other comprehensive income for the period		
Exchange differences on translation of foreign operations	**15**	149,168
Total comprehensive income for the period	**226,744**	270,786
Attributable to:		
Owners of the Company	**226,706**	237,430
Non-controlling interests	**38**	33,356
	226,744	270,786

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 September 2012 (Unaudited) *HK$'000*	At 31 March 2012 (Restated) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**48,539**	51,371
Investment properties		**5,623,893**	5,226,846
Investments in jointly-controlled entities		**199**	199
Total non-current assets		**5,672,631**	5,278,416
CURRENT ASSETS			
Tax recoverable		**633**	387
Properties held for sale under development and properties held for sale		**1,944,895**	1,775,360
Trade receivables	*9*	**3,297**	3,076
Prepayments, deposits and other receivables		**84,289**	41,760
Pledged deposits		**120,371**	120,371
Cash and cash equivalents		**488,463**	828,734
Total current assets		**2,641,948**	2,769,688
CURRENT LIABILITIES			
Trade payables and accrued liabilities	*10*	**139,601**	145,375
Interest-bearing bank borrowings		**742,750**	817,265
Customer deposits		**24,881**	23,612
Tax payable		**61,104**	79,485
Total current liabilities		**968,336**	1,065,737
NET CURRENT ASSETS		**1,673,612**	1,703,951
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,346,243**	6,982,367
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**2,168,455**	1,980,897
Deferred tax liabilities		**290,898**	281,289
Total non-current liabilities		**2,459,353**	2,262,186
Net assets		**4,886,890**	4,720,181

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	At 30 September 2012 (Unaudited)	At 31 March 2012 (Restated)
	HK$'000	*HK$'000*
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**480,286**	480,286
Reserves	**4,158,500**	3,931,793
Proposed final dividend	**-**	60,036
	4,638,786	4,472,115
Non-controlling interests	**248,104**	248,066
Total equity	**4,886,890**	4,720,181

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed interim consolidated financial statements for the six months ended 30 September 2012 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 2012.

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 2012 except the Group has adopted the 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 2012 as disclosed in note 2 below.

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 2012. The Group has not early adopted these new and revised HKFRSs.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current period's interim consolidated financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for the First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKFRS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

Other than as further explained below regarding the impact of HKAS 12 Amendments, the adoption of the new and revised HKFRSs has had no material impact on the Group's result of operations and financial position.

HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. The Group has adopted the amendments retrospectively and comparative amounts for the corresponding comparative prior periods have been restated.

In Mainland China, the Group's business model is that the entity owning the investment property will recover the value through use and on this basis the presumption of sale has been rebutted. Consequently, the Group has recognised deferred taxes on the basis that the values of its investment properties in Mainland China are recovered through use. In respect of the Group's investment properties in Hong Kong, the presumption has not been rebutted and accordingly deferred tax is recognized on the basis of recovery through sale.

The Group has completed investment properties measured at their values totaling HK$4,098,229,000 as of 1 April 2012. As required by the amendments, the Group has re-measured the deferred tax relating to certain investment properties amounting to HK$2,695,790,000 according to their tax consequences.

The effects of the above changes are summarized below:

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Consolidated income statement for the six months ended 30 September		
Decrease in income tax expenses	30,905	6,732

	30 September 2012	31 March 2012	1 April 2011
	(Unaudited)	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*
Consolidated statement of financial position			
Decrease in deferred tax liabilities	245,277	214,372	202,729
Increase in exchange reserve	(10,714)	(10,714)	(9,139)
Increase in retained profits	(234,563)	(203,658)	(193,590)
	-	-	-

The change in accounting policy gives increment on the basic and diluted earnings per share by 6.44 HK cents (2011: 1.4 HK cents) and 6.44 HK cents (2011: 1.38 HK cents), respectively for the period.

3. 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 2012 (Unaudited)			
	Property development *HK$'000*	**Property investment** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Segment revenue:				
Sales to external customers	**-**	**71,905**	**19,319**	**91,224**
Segment results	**(1,915)**	**278,877**	**(1,265)**	**275,697**
Reconciliation:				
Interest income				**3,487**
Unallocated expenses				**(16,806)**
Finance costs				**(25,423)**
Profit before tax				**236,955**

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

4. OTHER INCOME

	Six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Bank interest income	**3,487**	3,232
Gain on disposal of investment properties, net	**1,711**	1,050
Others	**2,185**	2,397
	7,383	6,679

5. FINANCE COSTS

	Six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans, overdrafts and other loans (including convertible bonds) wholly repayable within five years	**38,843**	34,172
Interest on bank loans wholly repayable after five years	**1,371**	1,175
	40,214	35,347
Less: Interest capitalized under property development projects	**(14,791)**	(9,699)
	25,423	25,648

6. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**4,020**	3,816
Employee benefit expense (including directors' remuneration)	**14,351**	12,165
Less: Amounts capitalized under property development projects	**(4,500)**	(2,290)
	9,851	9,875

7. INCOME TAX

	Six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Group:		
Current – Outside Hong Kong	**616**	26,213
Deferred	**9,610**	18,355
Total tax charge for the period	**10,226**	44,568

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.

8. 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.

In prior period, the calculation of diluted earnings per share amount was based on the profit for that 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 was the number of ordinary shares in issue during that 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. In current period, the diluted earnings per share amounts is the same as the basic earnings per share amounts as the Group has no potential dilutive ordinary shares in issue.

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

	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**226,691**	94,697
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	**226,691**	94,854

	Number of shares	
	2012	2011
	(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
	480,286,201	490,031,920

9. 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 2012 (Unaudited) *HK$'000*	At 31 March 2012 (Audited) *HK$'000*
Within 30 days	**2,740**	2,850
31 to 60 days	**314**	220
61 to 90 days	**78**	6
Over 90 days	**165**	**-**
Total	**3,297**	3,076

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.

10. TRADE PAYABLES AND ACCRUED LIABILITIES

Included in the trade payables and accrued liabilities are trade payables of HK$60,733,000 (at 31 March 2012: HK$30,194,000). 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 2012 (Unaudited) *HK$'000*	At 31 March 2012 (Audited) *HK$'000*
Within 30 days	**60,733**	30,194

11. CONTINGENT LIABILITIES

As at 30 September 2012, the Group has given guarantees of HK$141,390,000 (as at 31 March 2012 (audited): HK$153,169,000) 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 2012.

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 2012.

Compliance with the Corporate Governance Code

In the opinion of the Directors, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules for the six months ended 30 September 2012, 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, Dr. 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 A.5.1 stipulates that the Company should establish a nomination committee which should be chaired by the Chairman of the Board or an independent non-executive director. However, the Company has not established a nomination committee. The Board collectively reviews and approves the appointment of any new director as this allows a more informed and balanced decision to be made by the Board as to suitability for the role.

4. CG Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Madam Madeline May-Lung Wong, non-executive director of the Company, Dr. Emily Yen Wong, alternate director to Madam Madeline May-Lung Wong and Dr. Daniel Chi-Wai Tse and Mr. Kenneth Kin-Hing Lam, independent non-executive directors of the Company, did not attend the 2012 annual general meeting of the Company held on 23 August 2012 due to their own business engagements or other commitments.

5. CG Code provision B.1.2 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 has adopted the revised terms of reference of the remuneration committee on 30 March 2012 with certain deviations from the CG Code provisions. Pursuant to the revised terms of reference, the remuneration committee should review and make recommendations to the Board on the remuneration packages of directors (as opposed to directors and senior management).

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 2012 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$2,911 million as at 30 September 2012 (as at 31 March 2012: HK$2,798 million), of which approximately 26% (as at 31 March 2012: 29%) of the debts were classified as current liabilities. Included therein was HK$187 million (as at 31 March 2012: HK$195 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 19%. The increase in total debts was mainly due to the refinancing of a syndicated bank loan with increased facility.

Total cash and bank balances including time deposits were approximately HK$609 million as at 30 September 2012 (as at 31 March 2012 : HK$949 million). The Group had a total of approximately HK$724 million committed but undrawn banking facilities at period end available for its working capital purpose.

Total shareholders' funds as at 30 September 2012 were approximately HK$4,639 million (as at 31 March 2012 (restated): HK$4,472 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$2,302 million (as at 31 March 2012: HK$1,849 million) over the shareholders' funds plus non-controlling interests totalling of approximately HK$4,887 million (as at 31 March 2012 (restated): HK$4,720 million), was 47% as at 30 September 2012 (as at 31 March 2012 (restated): 39%).

Funding and treasury policies

There are no significant changes in the Group's funding and treasury policies. As at 30 September 2012, 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$5,957 million as at 30 September 2012 were pledged to secure certain banking facilities of the Group.

Employees and remuneration policies

The Group, not including its jointly-controlled entities, employed approximately 380 employees as at 30 September 2012. 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 2012 amounted to HK$91 million (2011: HK$404 million) and HK$227 million (2011 (restated): HK$95 million), respectively. Basic earnings per share were 47.20 Hong Kong cents (2011 (restated): 19.72 Hong Kong cents). As at 30 September 2012, the shareholders' equity amounted to HK$4,639 million (as at 31 March 2012 (restated): HK$4,472 million) and net assets per share attributable to shareholders were HK$9.66 (as at 31 March 2012 (restated): HK$9.31).

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2012 (2011: Nil).

BUSINESS REVIEW

Acquisition of Properties

In September 2012, the Group entered into an agreement to subscribe for 20% interests in Chinney Trading Company Limited at a cash consideration of HK$368,537,000 which was determined by reference to the unaudited consolidated net assets of the aforesaid holding company as at 31 July 2012 after adjusting for (i) revaluation of the development project held via its wholly-owned subsidiary incorporated in PRC; (ii) shareholders' loans; and (iii) subscription monies receivable. The above project is a vacant site of 48,764 sq.m. situated at 中國深圳市南山區僑香路北側 (Qiaoxiang Road North, Nanshan District, Shenzhen, PRC) and is positioned by the relevant government authorities to be developed as 總部基地 (Advanced Business Park) which includes a group of buildings for composite use with total gross floor area of approximately 224,500 sq.m. The above subscription constituted a major and connected transaction for the Company and has been approved by the Company's independent shareholders at the extraordinary general meeting held on 9 November 2012. For details, please refer to the Company's announcements dated 18 September 2012 and 9 November 2012 and circular dated 25 October 2012. The above subscription is scheduled to be completed in February 2013.

Property Development and Sales

Botanica Phase 3 寶翠園三期, Guangzhou, PRC

The **Botanica** 寶翠園, comprises 39 blocks of highrise residential building with total gross floor area of approximately 229,000 sq.m., is situated in the greenery zone of Tian He District near the Botanical Garden. It is scheduled for development and pre-sale by phases. **Botanica Phases 1 and 2** 寶翠園一及二期, with total 16 blocks of over 750 units, had been sold out and delivered to individual purchasers in the prior financial years. Foundation works of **Botanica Phase 3** 寶翠園三期, comprises 12 blocks of about 530 units, have been commenced and are expected to be completed in the second quarter of 2013.

Metropolitan Oasis 雅瑤綠洲, Nanhai, PRC

This project, situated in Da Li District, Nanhai with total gross floor area of approximately 273,000 sq.m. , is also scheduled for development by phases. Phase I comprises 71 completed 3-storey town houses of about 18,000 sq.m. and high-rise apartments of about 121,000 sq.m. under construction which is expected to be completed by stages commencing in the financial year 2013/14. The completed town houses together with certain blocks of the above apartment units are expected to be launched to the market for sale by the end of this year.

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

The development sites at Dong Guan Zhuan Road, Tian He District and 45-107 Beijing Nan Road, Yue Xiu District are under the respective planning and design stage.

Property Investment

Shenzhen, PRC

Superstructure works of **Hon Kwok City Commercial Centre** 漢國城市商業中心, with total gross floor area of 128,000 sq.m. and situated at the junction of Shen Nan Zhong Road and Fu Ming Road, Futian District, are well in progress. This 80-storey commercial/office/residential tower is planned to be held by the Group for recurrent rental income upon completion of construction which is expected to be in 2015.

All 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, have been leased out. The average occupancy and room rates of **The Bauhinia Hotel (Shenzhen)** 寶軒酒店(深圳), a 158-room hotel at levels 3 to 5 of the above podium and **City Suites** 寶軒公寓, a 64-unit serviced apartments atop of the same podium, are satisfactory.

Guangzhou, PRC

Ganghui Dasha 港滙大廈, a 20-storey commercial/office building, is situated at the junction of Beijing Road, Nanti Er Road and Baqi Er Road, Yue Xiu District. Its occupancy rate is currently over 85%. **The Bauhinia Hotel (Guangzhou)** 寶軒酒店（廣州）, a 166-room hotel leased by the Group and situated at Jie Fang Nan Road, Yue Xiu District, maintains an average occupancy and room rates at a satisfactory level.

Chongqing, PRC

The current occupancy rate of **Chongqing Hon Kwok Centre** 重慶漢國中心, a 21-storey twin-tower office building atop of a 4-storey retail/commercial podium and situated in Bei Bu Xin Qu, is nearly 95%.

Superstructure works of **Chongqing International Finance Centre** 重慶國際金融中心, adjacent to the above completed property and with total gross floor area of 133,502 sq.m., is in progress. As at the date of this announcement, construction works have been completed up to the eighteenth floor level and the whole project is expected to be completed by the end of 2013. This twin-tower project is being developed as a grade A office tower and a 5-star hotel plus serviced apartments building with respective retail/commercial podium.

Hong Kong

Screening for tenants to fill up the only vacant retail shop at ground floor of the hotel/apartment building at Connaught Road Central and Des Voeux Road Central is in progress. The average occupancy rate of **The Bauhinia Hotel (Central)** 寶軒酒店（中環）, a 42-room boutique hotel at the podium floors of the above building, exceeds 90% with encouraging room rate whilst that of **The Bauhinia** 寶軒, a 171-room serviced apartments atop of the above hotel, approximates 80%.

The average occupancy rate of **The Bauhinia Hotel (TST)** 寶軒酒店（尖沙咀）, a 44-room boutique hotel at nine upper floors of 23-storey **Knutsford Place** 諾士佛廣場 situated at Observatory Court, Tsim Sha Tsui, is over 80% with encouraging room rate. Subsequent to the recent approval from the relevant authorities, renovation works for conversion of an additional ten lower floors of the above commercial/office building into 45 hotel rooms will be commenced in next month. Upon completion of the aforesaid renovation works which are expected to be by the end of 2013, the whole building will be a boutique hotel comprising a total of 89 rooms with the remaining floors for commercial use.

The occupancy rate of **Hon Kwok Jordan Centre** 漢國佐敦中心, a 23-storey commercial/office building situated at Hillwood Road, Tsim Sha Tsui, is currently about 95% with satisfactory increment in rental rate upon renewal of tenancies.

OUTLOOK

The launch of the third round of quantitative easing by the U.S. in September 2012 coupled with the pledge of European Central Bank for an unlimited purchase of bonds to reduce the long-term borrowing costs for the Euro Zone countries are expected to have a positive impact on the global economic recovery.

On the other hand, Mainland China's GDP growth in the third quarter of 2012 further eased to 7.4% against same period of last year. In anticipation of this slowdown and to bolster the economy, the People's Bank of China lowered the benchmark lending rates in early July for the second time within a month. It is generally expected that the GDP growth in the fourth quarter will pick up and that for 2012 full year target will exceed 7.5%. Consumer inflation rate, nevertheless, declined to a trough of 1.7% in October, the lowest during the last nearly three years.

With the support of Central Government for infrastructure investments and a reduction in the lending rates, barring further restrictive measures to be imposed on residential property market, the momentum of enormous domestic demand, in particular for non-luxury units, will be sustained in the coming years. In Hong Kong, the recent announcement of punitive measures by means of Buyer's Stamp Duty and Special Stamp Duty are expected to stabilise and curb speculative demand on the over-heated residential property market. On the other hand, the commercial property market in which the Group's investment properties are being held and at prime locations, is expected to continue its current upward trend. The Group is closely monitoring the property markets in Mainland China and Hong Kong and intends to replenish its land bank and/or enlarges its rental property portfolios when suitable opportunity arises.

James Sai-Wing Wong
Chairman

Hong Kong, 28 November 2012

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