建業實業有限公司
Chinney Investments, Limited
(Incorporated in Hong Kong with limited liability)
(Stock Code: 216)

2012-13 INTERIM RESULTS ANNOUNCEMENT

RESULTS

The directors (the "Directors") of Chinney Investments, 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

	Notes	**Six months ended 30 September** **2012 (Unaudited)** ***HK$'000***	2011 (Unaudited) *HK$'000* (Restated)
Revenue	*3*	**150,658**	484,851
Cost of sales		**(87,338)**	(348,044)
Gross profit		**63,320**	136,807
Other income and gains	*4*	**8,911**	9,688
Fair value gains on investment properties, net		**234,527**	98,782
Fair value gains/(losses) on equity investments at fair value through profit or loss		**2,745**	(6,925)
Selling and distribution costs		**(6,735)**	(9,636)
Administrative and other operating expenses		**(43,862)**	(46,491)
Finance costs	*5*	**(27,180)**	(26,428)
Share of profits and losses of:			
Associates		**2,351**	3,135
Jointly-controlled entities		**-**	327
Profit before tax	*6*	**234,077**	159,259
Income tax expense	*7*	**(10,424)**	(45,266)
Profit for the period		**223,653**	113,993
Attributable to:			
Owners of the Company		**124,780**	44,924
Non-controlling interests		**98,873**	69,069
		223,653	113,993
Earnings per share attributable to ordinary equity holders of the Company	*8*		
Basic		**22.63 HK cents**	8.15 HK cents
Diluted		**22.63 HK cents**	7.97 HK cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Profit for the period	**223,653**	113,993
Other comprehensive income for the period		
Exchange differences on translation of foreign operations	**7**	149,835
Total comprehensive income for the period	**223,660**	263,828
Attributable to:		
Owners of the Company	**124,780**	124,765
Non-controlling interests	**98,880**	139,063
	223,660	263,828

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		**106,383**	110,772
Prepaid land lease payments		**13,206**	13,857
Investment properties		**5,648,293**	5,245,546
Investments in associates		**111,192**	114,045
Investments in jointly-controlled entities		**199**	3,433
Deferred tax assets		**240**	199
Loan receivables		**1,815**	2,510
Total non-current assets		**5,881,328**	5,490,362
CURRENT ASSETS			
Inventories		**8,346**	7,031
Properties held for sale under development and properties held for sale		**1,961,823**	1,792,288
Prepaid land lease payments		**1,251**	1,243
Equity investments at fair value through profit or loss		**56,784**	54,039
Trade and bills receivables	*9*	**21,269**	13,144
Prepayments, deposits and other receivables		**90,599**	47,778
Amounts due from a related company		**418**	417
Tax recoverable		**633**	387
Pledged deposits		**120,371**	120,371
Cash and cash equivalents		**538,894**	979,176
Total current assets		**2,800,388**	3,015,874
CURRENT LIABILITIES			
Trade payables and accrued liabilities	*10*	**165,320**	169,530
Customer deposits		**24,881**	23,612
Tax payable		**69,045**	87,641
Interest-bearing bank borrowings		**842,750**	1,009,265
Total current liabilities		**1,101,996**	1,290,048
NET CURRENT ASSETS		**1,698,392**	1,725,826
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,579,720**	7,216,188

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	At 30 September 2012 (Unaudited) *HK$'000*	At 31 March 2012 (Restated) *HK$'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**2,168,455**	1,980,897
Deferred tax liabilities	**298,143**	288,512
Total non-current liabilities	**2,466,598**	2,269,409
Net assets	**5,113,122**	4,946,779
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**137,842**	137,842
Reserves	**2,670,434**	2,538,166
Proposed final dividend	**-**	27,568
	2,808,276	2,703,576
Non-controlling interests	**2,304,846**	2,243,203
Total equity	**5,113,122**	4,946,779

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.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

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 recognised on the basis of recovery through sale.

The Group has completed investment properties measured at their values totaling HK$4,116,929,000 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$2,714,490,000 according to their tax consequences.

The effects of the above changes are summarised 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	31,192	6,738

	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	247,161	215,969	203,004
Increase in asset revaluation reserve	(906)	(906)	-
Increase in exchange reserve	(5,974)	(5,974)	(5,097)
Increase in retained profits	(131,794)	(114,271)	(108,240)
Increase in non-controlling interests	(108,487)	(94,818)	(89,667)
	-	-	-

The change in accounting policy gives increment on the basic and diluted earnings per share by 3.18 HK cents (2011: 0.68 HK cents) and 3.18 HK cents (2011: 0.66 HK cents), respectively for the period.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in garment manufacturing and trading, property development and property investment 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 contribution to profit from operation by business segments and revenue by geographical segments is as follows:

(a) Business segments

	Six months ended 30 September 2012 (Unaudited)				
	Garment	**Property development**	**Property investment**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Segment revenue:					
Sales to external customers	**59,434**	**-**	**71,905**	**19,319**	**150,658**
Segment results	**1,840**	**(1,915)**	**262,071**	**(5,244)**	**256,752**
Reconciliation:					
Net income from investments					**4,524**
Unallocated expenses					**(5,115)**
Fair value gains on equity investments at fair value through profit or loss					**2,745**
Finance costs					**(27,180)**
Share of profits and losses of associates					**2,351**
Profit before tax					**234,077**

	Six months ended 30 September 2011 (Unaudited)				
	Garment	Property development	Property investment	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:					
Sales to external customers	80,963	332,157	52,447	19,284	484,851
Segment results	(27)	79,405	114,160	(6,160)	187,378
Reconciliation:					
Net income from investments					4,663
Unallocated expenses					(2,891)
Fair value losses on equity investments at fair value through profit or loss					(6,925)
Finance costs					(26,428)
Share of profits and losses of associates					3,135
Share of profits and losses of jointly-controlled entities					327
Profit before tax					159,259

3. **OPERATING SEGMENT INFORMATION** *(Continued)*

(b) Geographical segments

The following table provides an analysis of the Group's revenue by geographical market:

	Six months ended 30 September 2012 (Unaudited)					
	Hong Kong	**Mainland China**	**Europe**	**North America**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Segment revenue:						
Sales to external customers	**47,632**	**53,184**	**44,967**	**4,494**	**381**	**150,658**

	Six months ended 30 September 2011 (Unaudited)					
	Hong Kong	Mainland China	Europe	North America	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:						
Sales to external customers	39,768	365,020	72,134	7,061	868	484,851

4. OTHER INCOME AND GAINS

	Six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Bank interest income	**3,640**	3,246
Other interest income	**90**	737
Dividend income from listed investments	**794**	680
Gain on disposal of investment properties, net	**1,711**	1,050
Foreign exchange differences, net	**(461)**	1,561
Others	**3,137**	2,414
	8,911	9,688

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	**40,600**	34,952
Interest on bank loans wholly repayable after five years	**1,371**	1,175
	41,971	36,127
Less: Interest capitalized under property development projects	**(14,791)**	(9,699)
	27,180	26,428

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**6,067**	5,990
Amortisation of prepaid land lease payments	**625**	615
Employee benefit expense (including directors' remuneration)	**38,126**	43,555
Less: Amounts capitalized under property development projects	**(4,500)**	(2,290)
	33,626	41,265
Fair value (gains)/losses on equity investments at fair value through profit or loss	**(2,745)**	6,925
Gain on disposal of items of property, plant and equipment	**(231)**	(14)

7. INCOME TAX

	Six months ended 30 September 2012 (Unaudited) *HK$'000*	2011 (Unaudited) *HK$'000* (Restated)
Group:		
Current – Hong Kong	**217**	569
– Outside Hong Kong	**616**	26,332
	833	26,901
Deferred	**9,591**	18,365
Total tax charge for the period	**10,424**	45,266

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong 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 of a subsidiary and the dilution effect on earnings assuming there is a full conversion of the convertible bonds of a subsidiary, where applicable. The 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. In current period, the diluted earnings per share amounts is the same as the basic earnings per share amounts as the subsidiary has no potential dilutive ordinary shares in issue.

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

	Six months ended 30 September 2012 (Unaudited) *HK$'000*	2011 (Unaudited) *HK$'000* (Restated)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**124,780**	44,924
Interest on convertible bonds of a subsidiary, net of tax and interest capitalization	**-**	157
Dilution of earnings arising from the full conversion of convertible bonds of a subsidiary	**-**	(1,116)
Profit attributable to ordinary equity holders of the Company after the full conversion of the convertible bonds of a subsidiary	**124,780**	43,965

9. TRADE AND BILLS RECEIVABLES

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

	At 30 September 2012 (Unaudited) ***HK$'000***	At 31 March 2012 (Audited) *HK$'000*
Within 30 days	**17,588**	6,748
31 to 60 days	**2,516**	1,236
61 to 90 days	**864**	5,160
Over 90 days	**301**	-
Total	**21,269**	13,144

The Group's trading terms with its customers in the garment segment are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to four months for major customers. Each customer has a maximum credit limit. 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. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade and bills receivables are non-interest-bearing.

10. TRADE PAYABLES AND ACCRUED LIABILITIES

Included in the trade payables and accrued liabilities are trade payables of HK$67,908,000 (at 31 March 2012: HK$36,445,000). 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	**65,972**	32,854
31 to 60 days	**639**	3,591
61 to 90 days	**986**	-
Over 90 days	**311**	-
Total	**67,908**	36,445

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.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 and Managing Director 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 and Managing Director provide 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.

2. 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.

3. 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 and Dr. Clement Kwok-Hung Young, independent non-executive director 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.

4. 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$3,011 million as at 30 September 2012 (as at 31 March 2012: HK$2,990 million), of which approximately 28% (as at 31 March 2012: 34%) of the debts were classified as current liabilities. Included therein was HK$196 million (as at 31 March 2012: HK$206 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 21%. 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$659 million as at 30 September 2012 (as at 31 March 2012: HK$1,100 million). The Group had a total of approximately HK$1,012 million (as at 31 March 2012: HK$733 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$2,808 million (as at 31 March 2012 (restated): HK$2,704 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$2,352 million (as at 31 March 2012: HK$1,890 million) over the shareholders' funds plus non-controlling interests totalling of approximately HK$5,113 million (as at 31 March 2012 (restated): HK$4,947 million), was 46% as at 30 September 2012 (as at 31 March 2012 (restated): 38%).

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

Bank balances, certain properties and investments with an aggregate carrying value of approximately HK$6,071 million as at 30 September 2012 (as at 31 March 2012: HK$5,598 million) and shares in certain subsidiaries were pledged to secure certain banking facilities of the Group.

Employees and remuneration policies

The Group, not including its associates and jointly-controlled entities, employed approximately 840 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

For the six months ended 30 September 2012, the Group's unaudited consolidated turnover and net profit attributable to shareholders amounted to HK$151 million (2011: HK$485 million) and HK$125 million (2011 (restated): HK$45 million), respectively. Basic earnings per share were 22.63 Hong Kong cents (2011 (restated): 8.15 Hong Kong cents). As at 30 September 2012, the shareholders' equity amounted to HK$2,808 million (as at 31 March 2012 (restated): HK$2,704 million) and net assets per share attributable to shareholders were HK$5.09 (as at 31 March 2012 (restated): HK$4.90).

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

1. Property

The Group's property development and investment activities are conducted by our 55.77% owned Hon Kwok Land Investment Company, Limited ("Hon Kwok") (Stock Code: 160). Hon Kwok reported a turnover of HK$91 million (2011: HK$404 million) and profit attributable to their shareholders of HK$227 million (2011 (restated): HK$95 million) respectively. The turnover recorded in the prior period mainly represented the sale of the property units of Botanica Phase 2, Hon Kwok's development project in Guangzhou, being recognised in the six months ended 30 September 2011.

Acquisition of Properties

In September 2012, the Hon Kwok 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 both the Company and Hon Kwok and has been approved by the Company's and Hon Kwok's independent shareholders at their respective extraordinary general meetings 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.

2. Garment

J.L. Garment Group, wholly owned by our Company with garment factory situated at Dongguan, the Mainland China, reported turnover of HK$59 million (2011: HK$81 million) with a net profit of HK$2.4 million (2011: HK$0.7 million) for the six months ended 30 September 2012.

During the period under review, the unresolved sovereign debt crisis in the Eurozone continued to impede the revitalization of consumer markets. With no apparent sign of rebound in consumer spending confidence in Europe coupled with increase in production costs in the Mainland China, the garment manufacturing industry suffered considerably. Our customers, mainly from Germany and Italy, were contracting their business operations with corresponding reduction in their order size, hence both turnover and profit of the J.L. Group recorded a decline.

To sustain a sound financial position, J.L. Group continues its stringent control on operating costs and production efficiency, in addition to exploring opportunities for new customers in other stable consumer markets.

Due to the upsurge of property market in Hong Kong, J.L. Group recognised property revaluation gains of HK$5.7 million (2011: Nil) on investment properties while the self use property in Hong Kong was carried at historical cost. The investment properties were leased for rental income.

3. Construction and Trading

Chinney Alliance Group Limited ("Chinney Alliance"), a 29.1% owned associate recorded turnover and net profit for the six months ended 30 June 2012 of HK$1,301 million (2011: HK$963 million) and HK$8.1 million (2011: HK$10.8 million) respectively.

The construction industry remains robust as numerous property development projects are under way and major government infrastructure works have been commenced. Under the strong market demand, the building construction and foundation piling divisions achieved an increase in turnover over last year. Nevertheless, the accelerated labour wages in the construction industry brought about negative impact on the profit margin. The contracts currently performed included a project at racecourse, a revitalization of historic building project, private residential development projects and a public housing project. As some projects were newly commenced, more profit contribution will only be expected in the second half of the year.

The plastic trading division recorded a slight drop in both turnover and profit. Affected by the sluggish markets in the US and the Eurozone, demand of raw materials from the Mainland manufacturers reduced accordingly. By closely monitoring the inventory level and debt collection, the division maintained sound liquidity with minimal bad debts. The division continues to identify new business opportunities to expand the market share in the Mainland China market.

4. Other investment

Owing to the price fluctuation in Hong Kong stock market for the period under review, the Group recorded an unrealised fair value gain of HK$2.7 million on a listed securities investment. The carrying value of the investment at its market value on 30 September 2012 exceeded substantially comparing with its original acquisition cost.

OUTLOOK

Notwithstanding the Eurozone officials' efforts to reach a compromise on the debt relief programme, the prolonged, unresolved Eurozone debt crisis subsisted as a massive barrier to the global economic recovery. It is anticipated that the Eurozone debt problem will continue to influence the consumer markets adversely in the year ahead. In the US, although consumer spending index and unemployment have improved slightly during the period, the recent world-wide focus on the US fiscal cliff could become a major concern to the global economy. Any dramatic impact may drive the US to an economic downturn which may lead to further uncertainties and challenges to the pace of world-wide economic recovery.

In the Mainland China the economic growth has gradually slowed down, with GDP growth in the third quarter of 2012 further eased to 7.4% as compared with last year. In anticipation of this slowdown and to bolster the economy, the People's Bank of China lowered the benchmark lending rates in July for the second time within a month. It is generally expected that the GDP growth in the fourth quarter will pick up and the target 2012 full year GDP growth will exceed 7.5%. With the supportive measures from the Central Government for infrastructure investments, coupled with the reduction in the lending rates, the residential property market, in particular for non-luxury units, is expected to be sustainable in the coming year.

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 continues to monitor 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. William Chung-Yue Fan, Mr. Herman Man-Hei Fung and Mr. Paul Hon-To Tong and the independent non-executive directors are Dr. Clement Kwok-Hung Young, Mr. Peter Man-Kong Wong and Mr. James C. Chen.