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建業實業有限公司

Chinney Investments, Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 216)

2010-11 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 2010 together with comparative figures for the corresponding period in the prior year as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended	
		30 September	
		2010	2009
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	2	171,564	564,062
Cost of sales		(119,081)	(452,358)
Gross profit		52,483	111,704
Other income and gains	3	9,554	9,897
Fair value gains on investment properties, net		129,693	250,180
Gain on disposal of a jointly-controlled entity		-	76,922
Fair value gain/(loss) on equity investments at fair value through profit or loss		(11,465)	19,353
Selling and distribution costs		(13,096)	(14,514)
Administrative and other operating expenses		(50,368)	(43,536)
Finance costs	4	(20,969)	(11,930)
Share of profits and losses of:			
Associates		4,520	12,439
Jointly-controlled entities		211	(930)
Profit before tax	5	100,563	409,585
Income tax expense	6	(33,520)	(65,533)
Profit for the period		67,043	344,052
Attributable to:			
Owners of the Company		32,015	191,963
Non-controlling interests		35,028	152,089
		67,043	344,052
Earnings per share attributable to ordinary equity holders of the Company	7		
Basic		5.81 HK cents	34.82 HK cents
Diluted		5.46 HK cents	31.15 HK cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Profit for the period	67,043	344,052
Other comprehensive income for the period		
Exchange differences on translation of foreign operations	<u>82,350</u>	<u>3,540</u>
Total comprehensive income for the period	<u>149,393</u>	<u>347,592</u>
Attributable to:		
Owners of the Company	74,915	193,784
Non-controlling interests	<u>74,478</u>	<u>153,808</u>
	<u>149,393</u>	<u>347,592</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 30 September 2010 (Unaudited) <i>HK\$'000</i>	At 31 March 2010 (Audited) <i>HK\$'000</i>
<i>Notes</i>		
NON-CURRENT ASSETS		
Property, plant and equipment	113,264	109,638
Properties under development	1,368,953	1,424,450
Prepaid land lease payments	15,853	15,768
Investment properties	4,197,369	3,753,795
Investments in associates	110,303	110,899
Interests in jointly-controlled entities	3,508	3,297
Deferred tax assets	113	109
Loan receivables	2,466	2,466
	5,811,829	5,420,422
CURRENT ASSETS		
Inventories	12,069	9,233
Properties held for sale	285,411	148,273
Prepaid land lease payments	477	473
Equity investments at fair value through profit or loss	45,895	57,361
Trade and bills receivables	28,370	39,877
Prepayments, deposits and other receivables	61,751	50,751
Promissory note receivable from an associate	40,723	40,518
Amounts due from a related company	359	359
Amounts due from jointly-controlled entities	31	25
Tax recoverable	7	988
Pledged deposits	91,200	91,200
Cash and cash equivalents	903,450	685,000
	1,469,743	1,124,058
CURRENT LIABILITIES		
Trade payables and accrued liabilities	135,568	217,120
Customer deposits	405,965	7,200
Amounts due to the immediate holding company	40,000	40,000
Tax payable	71,086	79,568
Interest-bearing bank borrowings	320,316	424,655
Convertible bonds	104,556	-
Promissory note payable	20,000	20,000
	1,097,491	788,543

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	At 30 September 2010 (Unaudited) <i>HK\$'000</i>	At 31 March 2010 (Audited) <i>HK\$'000</i>
NET CURRENT ASSETS	<u>372,252</u>	<u>335,515</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>6,184,081</u>	<u>5,755,937</u>
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	1,890,316	1,515,409
Convertible bonds	-	100,900
Deferred tax liabilities	<u>350,541</u>	<u>290,832</u>
Total non-current liabilities	<u>2,240,857</u>	<u>1,907,141</u>
Net assets	<u>3,943,224</u>	<u>3,848,796</u>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	137,842	137,842
Reserves	1,994,912	1,919,997
Proposed final dividend	<u>-</u>	<u>27,568</u>
	<u>2,132,754</u>	<u>2,085,407</u>
Non-controlling interests	<u>1,810,470</u>	<u>1,763,389</u>
Total equity	<u>3,943,224</u>	<u>3,848,796</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 2010 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 2010.

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 2010 except that 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 2010.

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 32 Amendments	<i>Amendments to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues</i>
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i>
Amendments to HKFRS 5 included in <i>Improvements to HKFRSs</i> issued in October 2008	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary</i>
HK Interpretation 4 (Revised in December 2009)	<i>Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>
Improvements to HKFRSs 2009	<i>Amendments to a number of HKFRSs</i>

HKFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring since 1 April 2010. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to gains or losses. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. These revised standards were applied by the Group prospectively.

Except for the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised), the adoption of the new and amended HKFRSs has had no significant financial effect on these interim financial statements and there have been no significant changes to the accounting policies applied in these interim financial statements.

2. 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 2010 (Unaudited)				
	Garment HK\$'000	Property development HK\$'000	Property investment HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue:					
Sale to external customers	<u>99,976</u>	<u>24,122</u>	<u>31,225</u>	<u>16,241</u>	<u>171,564</u>
Segment results	<u>1,635</u>	<u>638</u>	<u>127,874</u>	<u>(224)</u>	<u>129,923</u>
<i>Reconciliation:</i>					
Net income from investments					3,044
Unallocated expenses					(4,701)
Fair value loss on equity investments at fair value through profit or loss					(11,465)
Finance costs					(20,969)
Share of profits and losses of associates					4,520
Share of profits and losses of jointly-controlled entities					<u>211</u>
Profit before tax					<u>100,563</u>

2. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

Six months ended 30 September 2009 (Unaudited)					
	Garment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:					
Sale to external customers	<u>122,442</u>	<u>405,552</u>	<u>18,638</u>	<u>17,430</u>	<u>564,062</u>
Segment results	<u>9,815</u>	<u>56,420</u>	<u>245,159</u>	<u>4,254</u>	315,648
<i>Reconciliation:</i>					
Net income from investments					2,036
Unallocated expenses					(3,953)
Fair value gains on equity investments at fair value through profit or loss					19,353
Finance costs					(11,930)
Share of profits and losses of associates					12,439
Share of profits and losses of jointly-controlled entities					(930)
Gain on disposal of a jointly-controlled entity					<u>76,922</u>
Profit before tax					<u>409,585</u>

(b) Geographical segments

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

Six months ended 30 September 2010 (Unaudited)						
	Hong Kong <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Europe <i>HK\$'000</i>	North America <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:						
Sales to external customers	<u>37,845</u>	<u>34,150</u>	<u>86,039</u>	<u>11,374</u>	<u>2,156</u>	<u>171,564</u>

Six months ended 30 September 2009 (Unaudited)						
	Hong Kong <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Europe <i>HK\$'000</i>	North America <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:						
Sales to external customers	<u>50,847</u>	<u>389,874</u>	<u>109,699</u>	<u>11,323</u>	<u>2,319</u>	<u>564,062</u>

3. OTHER INCOME AND GAINS

	Six months ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bank interest income	1,268	562
Other interest income	1,202	1,286
Dividend income from listed investments	574	188
Commission income	13	187
Gain on disposal of investment properties, net	860	853
Foreign exchange difference, net	2,439	4,341
Others	3,198	2,480
	<u>9,554</u>	<u>9,897</u>

4. FINANCE COSTS

	Six months ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans, overdrafts and other loans (including convertible bonds) wholly repayable within five years	29,918	30,755
Interest on bank loans wholly repayable after five years	2,144	-
	<u>32,062</u>	<u>30,755</u>
Less: Interest capitalized under property development projects	<u>(11,093)</u>	<u>(18,825)</u>
	<u>20,969</u>	<u>11,930</u>

5. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	3,573	3,290
Amortisation of prepaid land lease payments	239	236
Employee benefits expense (including directors' remuneration)	39,228	37,357
Less: Amounts capitalized under property development projects	<u>(2,700)</u>	<u>(2,984)</u>
	<u>36,528</u>	<u>34,373</u>
Fair value loss/(gain) on equity investments at fair value through profit or loss	11,465	(19,353)
Bank interest income	(1,268)	(562)
Other interest income	(1,202)	(1,286)
Gain on disposal of investment properties, net	(860)	(853)
Gain on disposal of property, plant and equipment	-	(118)

6. INCOME TAX

	Six months ended	
	30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Group:		
Current – Hong Kong	595	1,829
– Outside Hong Kong	5,885	22,357
	6,480	24,186
Deferred	27,040	41,347
Total tax charge for the period	33,520	65,533

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 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.

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, net of tax and interest capitalization of a subsidiary and the dilution effect on earnings assuming there is a full conversion of all the outstanding convertible bonds of a subsidiary, where applicable. The 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.

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

	Six months ended	
	30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	32,015	191,963
Interest on convertible bonds of a subsidiary, net of tax and interest capitalization	-	-
Dilution of earnings arising from the full conversion of convertible bonds of a subsidiary	(1,904)	(20,187)
Profit attributable to ordinary equity holders of the Company after the full conversion of the convertible bonds of a subsidiary	30,111	171,776

8. 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 date/contract date, is as follows:

	At 30 September 2010 (Unaudited) HK\$'000	At 31 March 2010 (Audited) HK\$'000
Within 30 days	15,791	21,676
31 to 60 days	8,842	6,426
61 to 90 days	1,384	3,247
Over 90 days	<u>2,353</u>	<u>8,528</u>
Total	<u>28,370</u>	<u>39,877</u>

The Group's trading terms with its customers 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. 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.

9. TRADE PAYABLES AND ACCRUED LIABILITIES

Included in trade payables and accrued liabilities are trade payables of HK\$31,612,000 (at 31 March 2010: HK\$39,294,000). 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 2010 (Unaudited) HK\$'000	At 31 March 2010 (Audited) HK\$'000
Within 30 days	27,584	33,369
31 to 60 days	1,982	4,808
61 to 90 days	862	449
Over 90 days	<u>1,184</u>	<u>668</u>
Total	<u>31,612</u>	<u>39,294</u>

10. CONTINGENT LIABILITIES

As at 30 September 2010, the Group has given guarantees of HK\$320,123,000 (as at 31 March 2010 (audited): HK\$251,634,000) 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 2010.

CORPORATE GOVERNANCE

Compliance with Model Code for Securities Transactions by Directors

The Company has adopted 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 2010.

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 2010, 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 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).
3. 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 2010 has not been audited, but has been reviewed by the Audit Committee.

FINANCIAL REVIEW

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to approximately HK\$2,315 million as at 30 September 2010 (as at 31 March 2010: HK\$2,041 million), of which approximately 18% (as at 31 March 2010: 21%) of the debts were due and repayable within one year. Total cash and bank balances including time deposits were approximately HK\$995 million as at 30 September 2010 (as at 31 March 2010: HK\$776 million).

Total shareholders' funds as at 30 September 2010 were approximately HK\$2,133 million (as at 31 March 2010: HK\$2,085 million).

The gearing ratio of the Group, as measured by the consolidated net borrowings of approximately HK\$1,320 million (as at 31 March 2010: HK\$1,265 million) over the shareholders' funds plus non-controlling interests totalling of approximately HK\$3,943 million (as at 31 March 2010: HK\$3,849 million), was 33% as at 30 September 2010 (as at 31 March 2010: 33%).

The Group had a total of approximately HK\$1,034 million (as at 31 March 2010: HK\$1,132 million) committed but undrawn banking facilities at period end available for its working capital purpose.

Funding and treasury policies

There are no significant changes in the Group's funding and treasury policies. As at 30 September 2010, the Group had no material exposure under foreign exchange contracts or any other hedging instruments.

Pledge of assets

Bank balances, certain properties, investments with an aggregate carrying value of approximately HK\$3,870 million as at 30 September 2010 (as at 31 March 2010: HK\$3,567 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 1,100 employees as at 30 September 2010. 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 2010, the Group's unaudited consolidated turnover and net profit attributable to shareholders amounted to HK\$172 million (2009: HK\$564 million) and HK\$32 million (2009: HK\$192 million), respectively. Basic earnings per share were 5.81 Hong Kong cents (2009: 34.82 Hong Kong cents). As at 30 September 2010, the shareholders' equity amounted to HK\$2,133 million (as at 31 March 2010: HK\$2,085 million) and net assets per share attributable to shareholders were HK\$3.87 (as at 31 March 2010: HK\$3.78).

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2010 (2009: Nil).

BUSINESS REVIEW

1. Property

The Group's property development and investment activities are conducted by our 54.37% owned Hon Kwok Land Investment Company, Limited ("Hon Kwok") (Stock Code: 160). Hon Kwok reported a turnover of HK\$72 million (2009: HK\$442 million) and profit attributable to their shareholders of HK\$76 million (2009: HK\$286 million) respectively, decrease was mainly due to the profit from the property units already pre-sold has yet to be recognized for the period under 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 and is scheduled for development and pre-sale by phases. All eight blocks of 332 units had been delivered to purchasers of **Botanica Phase 1 寶翠園一期** during the last financial year.

Botanica Phase 2 寶翠園二期, also comprises eight blocks totalled 420 residential units, are under construction and scheduled to be completed in two stages during the forthcoming year 2011. Pre-sale of the first four blocks of 221 units commenced in April 2010 and all have been sold out during the period under review, generated sales proceeds amounting to RMB287 million. The remaining four blocks of 199 units have also been launched to the market for pre-sale in September 2010 and approximately 85% have been pre-sold up to the date of this announcement, generated sales proceeds exceeding RMB280 million.

Yayao Oasis 雅瑤綠洲, Nanhai, PRC

The project, situated in Da Li District with a total gross floor area of approximately 273,000 sq.m. (excluding carparking spaces), is scheduled for development by phases. Phase I comprises town houses of about 18,000 sq.m. and high-rise apartments of about 116,000 sq.m. Construction works of the town houses are in progress and scheduled to be completed in the first quarter of 2011.

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

The design of the conceptual development layout in respect of the project site at Dong Guan Zhuan Road, Tian He District with a total gross floor area of approximately 266,000 sq.m. is in progress. On the other hand, vacant possession of the development sites at 45-107 Beijing Nan Road, Yue Xiu District has been completed and planning for redevelopment is under progress.

Property Investment

Shenzhen, PRC

Foundation works of **Hon Kwok City Commercial Centre 漢國城市商業中心**, a commercial/residential tower with 128,000 sq.m. situated at the junction of Shen Nan Zhong Road and Fu Ming Road, Futian District, have been commenced in September 2010. Upon completion of construction of this 80-storey signature building which is expected to be in 2014, the Group intends to hold it for recurrent rental income.

Renovation works of **The Bauhinia Hotel (Shenzhen) 寶軒酒店 (深圳)**, a 159-room hotel at levels 3 to 5 of the commercial podium of **City Square 城市天地廣場** situated at Jia Bin Road, Luo Hu District, are scheduled to be completed by the end of this year. Soft opening of this hotel is expected to be in the first quarter of 2011. Majority of the retail shops at ground level and the entire level 2 of the podium have been leased out. The occupancy rate of **City Suites 寶軒公寓**, our 64-unit serviced apartments situated on top of the podium, maintains at a satisfactory level.

Guangzhou, PRC

As disclosed in our 2009/10 Annual Report, the Group completed in April 2010, the acquisition of **Ganghui Dasha 港滙大廈**, a 20-storey commercial and office building situated at the junction of Beijing Road, Nanti Er Road and Baqi Er Road, Yue Xiu District. Occupancy rate is currently about 85%.

Renovation works of **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, have been completed pending issuance of hotel licence by the relevant authorities after the close of Asian Games hosted by Guangzhou. Its soft opening is expected to be held by the end of this year.

Chongqing, PRC

Chongqing Hon Kwok Centre 重慶漢國中心, situated in Bei Bu Xin Qu, is a 22-storey twin-tower retail/commercial complex atop of a 3-storey podium with a total gross floor area of 107,802 sq.m. All three podium floors have been leased out. Leasing for one of the two towers has reached 60%.

The master development layout of the **Phase 2 Project 重慶二期項目**, with a total gross floor area of 133,502 sq.m., has been approved and detailed design is in progress. This project, adjacent to **Chongqing Hon Kwok Centre 重慶漢國中心**, will be developed into a grade A office tower and a 5-star hotel with serviced apartments on top of a retail/commercial podium.

Hong Kong

Conversion works of the four office podium floors at Des Voeux Road Central to a 42-room boutique hotel named as “**The Bauhinia Hotel (Central) 寶軒酒店 (中環)**” have been completed pending issuance of hotel licence by the relevant authorities. Its soft opening is scheduled to be in early 2011. Over 90% of the ground floor areas have also been leased out. Rental rate of **The Bauhinia 寶軒**, a 171-room serviced apartments atop of the above hotel, has recently been raised in view of the gradual recovery of the global economy and completion of interior refurbishment. Occupancy rate currently approximates 90%.

The Bauhinia Hotel (TST) 寶軒酒店 (尖沙咀), a 44-room boutique hotel at nine upper floors of **Knutsford Place 諾士佛廣場** situated at Observatory Court, Tsim Sha Tsui, has been opened for business in September 2010. The initial occupancy and room rate are satisfactory and both of which are expected to rise further given the recent trend of increase number of visitor arrivals from various sectors. After opening of the hotel, the commercial and office floors are currently being launched to the market for lease in order to enhance the overall rental yield on this upgraded property.

The occupancy rate of **Hon Kwok Jordan Centre 漢國佐敦中心**, a 23-storey commercial and office building situated at Hillwood Road, Tsim Sha Tsui, is encouraging. To sustain a higher rental yield, its tenant mix already includes bars, private clubs and learning centres etc.

2. Garment

J.L. Garment Group, wholly owned by our Company, reported turnover of HK\$100 million (2009: HK\$122 million) with a net profit of HK\$1.6 million (2009: HK\$8.4 million) for the period under review.

The US and European markets remained sluggish despite the governments’ stimulus measures on monetary and fiscal policies to boost the economic recovery process. Our customers, who were mainly in Germany, Italy and Canada encountered a relatively gloomy consumer market. To reduce operating risk that may arise from market uncertainties, our customers continued to be conservative and implemented stringent strategies on controlling purchase prices, reducing order size for inventory replenishment and sourcing cheaper supplies in other developing countries. For the period under review, our export sales recorded its decline. On the other hand, the robust economic growth in China resulted in an upsurge of the labour and material costs. Together with the gradual appreciation of Renminbi against Euro, the production cost had been escalated significantly when compared with the previous period, thus further squeezing our profit margin and earnings.

J.L. Garment Group continued to strengthen its operating efficiency by stringent cost control, and streamlining production process. It is delightful that J.L. Garment Group had achieved a slight profit for the period despite a sizable decline in turnover.

3. Construction and Trading

Chinney Alliance Group Limited (“Chinney Alliance”) (Stock Code: 385), a 29.1% owned associate recorded turnover and net profit for the six months ended 30 June 2010 of HK\$853 million (2009: HK\$1,220 million) and HK\$15.5 million (2009: HK\$42.7 million) respectively.

The profit for the period included the fair value loss on equity investments of HK\$6.2 million (2009: gain HK\$5.2 million). Should these non-recurring items be excluded for both periods, the net profit for the six months ended 30 June 2010 for Chinney Alliance would be about HK\$21.7 million (2009: HK\$37.5 million).

Chinney Alliance Group's building construction and foundation piling services business recorded turnover of HK\$421 million (2009: HK\$743 million) and operating profit of HK\$11.9 million (2009: HK\$47.6 million), which were mainly contributed from the foundation work for the residential development at Tsuen Wan West Rail Station, a Hong Kong Housing Authority residential project and some school projects. The drop in operating profit was mainly due to the delay in construction work progress. Benefited from the gradual recovery of the construction industry, more contracts are expected to be awarded including projects from the Hong Kong Housing Authority as well as other private developers.

The trading of plastics and chemicals business recorded an increase in turnover and operating profit. Jacobson van den Berg (Hong Kong) Limited ("Jacobson") generated turnover of HK\$252 million (2009: HK\$198 million) and operating profit bounced to HK\$11 million (2009: HK\$2.4 million). With stronger demand for plastic resins and chemicals from customers, export sales gradually increased in the period under review. Improvement in operation efficiency also led to a better earnings quality and profit growth. In the years ahead, Jacobson will continue to cautiously build up its presence in the Mainland China.

4. Other investment

Owing to the price fluctuation in Hong Kong stock market for the period under review, the Group recorded in our income statement an unrealized fair value loss of HK\$11.5 million on a listed investment. The carrying value of the listed investment as measured at its market value as at 30 September 2010 still exceeded its original acquisition cost.

OUTLOOK

The Hong Kong economy continued its steady recovery with the third quarter GDP growth reached 6.8% on a year-to-year basis while unemployment remained at 4.2% in the third quarter of 2010. The robust economic growth in the Mainland China as driven by the resilient domestic demand in the consumer retail market and real estate market, brought in China's GDP growth of 9.6% in the third quarter. Nevertheless, inflation rate reached 4.4% in October against September's 3.6%, the fastest upsurge in two years and well above the Central Government's target rate of 3%.

Last month the Central Government implemented tough measures including raising the benchmark lending rate by 0.25%, tightening the property lending and proposal to levy property taxes in order to stabilize the buoyant property market. Although property transactions dropped significantly, current property prices are still sustainable at the present level. In anticipation of the progressive appreciation of Renminbi and the sturdy property market in the Mainland China, Hon Kwok intends to grasp appropriate opportunities to replenish its land bank in Mainland China.

Benefited from the prosperous market sentiment and continuous growth, Hong Kong has shown its sign of economic recovery. Despite the government's measures to slow down the property market, the recent land auction indicated that the local property developers are optimistic about the property market and are keen on replenishing their land bank. It is expected that there will be more foundation and construction contracts and the local construction market will be growing steadily.

As to the European market, their debt problems continued to stumble the economic recovery process in the Euro zone. Besides, the weakening of Euro further discouraged the order plans of our customers. It is anticipated that the sluggish consumers market will persist in the coming year.

Early this month, the US government implemented the second round of Quantitative Easing "QE2" measures in order to stimulate the US economy and promote employment in the US. The injection of US\$600 billion into the banking system under QE2 would probably cause the influx of hot money into Hong Kong and other emerging markets, and create "asset bubble" in the stock and property market. Whether these measures will succeed in reviving the US economy has yet to be seen. It is most likely that they will add uncertainties to the global market condition in the medium term.

James Sai-Wing Wong
Chairman

Hong Kong, 24 November 2010

At the date hereof, the directors of the Company are Mr. James Sai-Wing Wong, Ms. 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.