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

2011-12 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 2011 together with comparative figures for the corresponding period in the prior year as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
		2011	2010
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*2*	**484,851**	171,564
Cost of sales		**(348,044)**	(119,081)
Gross profit		**136,807**	52,483
Other income and gains	*3*	**9,688**	9,554
Fair value gains on investment properties, net		**98,782**	129,693
Fair value losses on equity investments at fair value through profit or loss		**(6,925)**	(11,465)
Selling and distribution costs		**(9,636)**	(13,096)
Administrative and other operating expenses		**(46,491)**	(50,368)
Finance costs	*4*	**(26,428)**	(20,969)
Share of profits and losses of:			
Associates		**3,135**	4,520
Jointly-controlled entities		**327**	211
Profit before tax	*5*	**159,259**	100,563
Income tax expense	*6*	**(52,004)**	(33,520)
Profit for the period		**107,255**	67,043
Attributable to:			
Owners of the Company		**41,164**	32,015
Non-controlling interests		**66,091**	35,028
		107,255	67,043
Earnings per share attributable to ordinary equity holders of the Company	*7*		
Basic		**7.47 HK cents**	5.81 HK cents
Diluted		**7.31 HK cents**	5.46 HK cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the period	**107,255**	67,043
Other comprehensive income for the period		
Exchange differences on translation of foreign operations	**149,835**	82,350
Total comprehensive income for the period	**257,090**	149,393
Attributable to:		
Owners of the Company	**121,005**	74,915
Non-controlling interests	**136,085**	74,478
	257,090	149,393

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**At 30 September 2011 (Unaudited) *HK$'000***	At 31 March 2011 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**113,909**	115,805
Prepaid land lease payments		**14,363**	14,579
Investment properties		**5,023,859**	4,784,501
Investments in associates		**110,426**	112,496
Investments in jointly-controlled entities		**3,496**	3,491
Deferred tax assets		**119**	117
Loan receivables		**3,189**	1,608
Total non-current assets		**5,269,361**	5,032,597
CURRENT ASSETS			
Inventories		**12,090**	11,645
Properties held for sale under development and properties held for sale		**1,836,874**	1,811,676
Prepaid land lease payments		**1,186**	1,186
Equity investments at fair value through profit or loss		**44,136**	51,061
Trade and bills receivables	*8*	**21,358**	24,877
Prepayments, deposits and other receivables		**72,862**	84,719
Amounts due from a related company		**414**	396
Amounts due from jointly-controlled entities		**54**	31
Tax recoverable		**23,913**	32,198
Pledged deposits		**122,085**	96,974
Cash and cash equivalents		**1,318,120**	1,029,076
Total current assets		**3,453,092**	3,143,839
CURRENT LIABILITIES			
Trade payables and accrued liabilities	*9*	**153,280**	125,148
Customer deposits		**441,201**	670,433
Tax payable		**78,668**	67,492
Interest-bearing bank borrowings		**724,021**	821,802
Convertible bonds	*10*	**-**	108,355
Total current liabilities		**1,397,170**	1,793,230
NET CURRENT ASSETS		**2,055,922**	1,350,609
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,325,283**	6,383,206

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	At 30 September 2011 (Unaudited) HK$'000	At 31 March 2011 (Audited) HK$'000
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**2,263,360**	1,541,687
Deferred tax liabilities	**478,431**	448,047
Total non-current liabilities	**2,741,791**	1,989,734
Net assets	**4,583,492**	4,393,472
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**137,842**	137,842
Reserves	**2,371,860**	2,225,933
Proposed final dividend	**-**	27,568
	2,509,702	2,391,343
Non-controlling interests	**2,073,790**	2,002,129
Total equity	**4,583,492**	4,393,472

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The unaudited condensed interim consolidated financial statements for the six months ended 30 September 2011 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The unaudited condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2011.

Accounting policies

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

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

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

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

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

2. OPERATING SEGMENT INFORMATION

The Group is principally engaged in 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 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 loss 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**

	Six months ended 30 September 2010 (Unaudited)				
	Garment	Property development	Property investment	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:					
Sales to external customers	99,976	24,122	31,225	16,241	171,564
Segment results	1,635	638	127,874	(224)	129,923
Reconciliation:					
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					211
Profit before tax					100,563

2. 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 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**

	Six months ended 30 September 2010 (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	37,845	34,150	86,039	11,374	2,156	171,564

3. OTHER INCOME AND GAINS

	Six months ended 30 September 2011 (Unaudited) *HK$'000*	2010 (Unaudited) *HK$'000*
Bank interest income	**3,246**	1,268
Other interest income	**737**	1,202
Dividend income from listed investments	**680**	574
Commission income	**-**	13
Gain on disposal of investment properties, net	**1,050**	860
Foreign exchange differences, net	**1,561**	2,439
Others	**2,414**	3,198
	9,688	9,554

4. FINANCE COSTS

	Six months ended 30 September 2011 (Unaudited) *HK$'000*	2010 (Unaudited) *HK$'000*
Interest on bank loans, overdrafts and other loans (including convertible bonds) wholly repayable within five years	**34,952**	29,918
Interest on bank loans wholly repayable after five years	**1,175**	2,144
	36,127	32,062
Less: Interest capitalized under property development projects	**(9,699)**	(11,093)
	26,428	20,969

5. PROFIT BEFORE TAX

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

	Six months ended 30 September 2011 (Unaudited) *HK$'000*	2010 (Unaudited) *HK$'000*
Depreciation	**5,990**	3,573
Amortisation of prepaid land lease payments	**615**	239
Employee benefits expense (including directors' remuneration)	**43,555**	39,228
Less: Amounts capitalized under property development projects	**(2,290)**	(2,700)
	41,265	36,528
Fair value losses on equity investments at fair value through profit or loss	**6,925**	11,465
Bank interest income	**(3,246)**	(1,268)
Other interest income	**(737)**	(1,202)
Gain on disposal of investment properties, net	**(1,050)**	(860)
Gain on disposal of items of property, plant and equipment	**(14)**	-

6. INCOME TAX

	Six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong	**569**	595
– Outside Hong Kong	**26,332**	5,885
	26,901	6,480
Deferred	**25,103**	27,040
Total tax charge for the period	**52,004**	33,520

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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 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 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	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**41,164**	32,015
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	**(1,043)**	(1,904)
Profit attributable to ordinary equity holders of the Company after the full conversion of the convertible bonds of a subsidiary	**40,278**	30,111

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/contract date and net of impairment, is as follows:

	At 30 September 2011 (Unaudited) ***HK$'000***	At 31 March 2011 (Audited) *HK$'000*
Within 30 days	**8,517**	5,447
31 to 60 days	**2,590**	4,723
61 to 90 days	**6,090**	14,506
Over 90 days	**4,161**	201
Total	**21,358**	24,877

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.

9. TRADE PAYABLES AND ACCRUED LIABILITIES

Included in the trade payables and accrued liabilities are trade payables of HK$19,402,000 (at 31 March 2011: HK$23,704,000). An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	At 30 September 2011 (Unaudited) ***HK$'000***	At 31 March 2011 (Audited) *HK$'000*
Within 30 days	**14,940**	17,498
31 to 60 days	**1,897**	5,318
61 to 90 days	**2,048**	75
Over 90 days	**517**	813
Total	**19,402**	23,704

10. CONVERTIBLE BONDS

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

11. CONTINGENT LIABILITIES

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

Compliance with Model Code for Securities Transactions by Directors

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

Compliance with the Code on Corporate Governance Practices

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

1. CG Code provision A.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 2011 have not been audited, but have been reviewed by the Audit Committee.

FINANCIAL REVIEW

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to approximately HK$2,987 million as at 30 September 2011 (as at 31 March 2011: HK$2,472 million), of which approximately 24% (as at 31 March 2011: 38%) of the debts were classified as current liabilities. Included therein was HK$208 million (as at 31 March 2011: HK$211 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 17%. The increase in total debts was mainly due to the refinancing of an investment property in Hong Kong with increased facility and the drawdown of additional bank loans for capital injection into mainland development projects.

Total cash and bank balances including time deposits were approximately HK$1,440 million as at 30 September 2011 (as at 31 March 2011: HK$1,126 million). The Group had a total of approximately HK$816 million (as at 31 March 2011: HK$1,125 million) committed but undrawn banking facilities at period end available for its working capital purpose.

Total shareholders' funds as at 30 September 2011 were approximately HK$2,510 million (as at 31 March 2011: HK$2,391 million). The increase was mainly due to current period's profit attributable to shareholders.

The gearing ratio of the Group, as measured by the net interest-bearing debts of approximately HK$1,547 million (as at 31 March 2011: HK$1,346 million) over the shareholders' funds plus non-controlling interests totalling of approximately HK$4,583 million (as at 31 March 2011: HK$4,393 million), was 34% as at 30 September 2011 (as at 31 March 2011: 31%).

Funding and treasury policies

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

Pledge of assets

Bank balances, certain properties and investments with an aggregate carrying value of approximately HK$5,412 million as at 30 September 2011 (as at 31 March 2011: HK$5,148 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 950 employees as at 30 September 2011. There have been no significant changes in the remuneration policies and benefits to the employees of the Group.

FINANCIAL RESULTS

For the six months ended 30 September 2011, the Group's unaudited consolidated turnover and net profit attributable to shareholders amounted to HK$485 million (2010: HK$172 million) and HK$41 million (2010: HK$32 million), respectively. Basic earnings per share were 7.47 Hong Kong cents (2010: 5.81 Hong Kong cents). As at 30 September 2011, the shareholders' equity amounted to HK$2,510 million (as at 31 March 2011: HK$2,391 million) and net assets per share attributable to shareholders were HK$4.55 (as at 31 March 2011: HK$4.34).

INTERIM DIVIDEND

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

BUSINESS REVIEW

1. Property

The Group's property development and investment activities are conducted by our 55.47% owned Hon Kwok Land Investment Company, Limited ("Hon Kwok") (Stock Code: 160). Hon Kwok reported a turnover of HK$404 million (2010: HK$72 million) and net profit attributable to their shareholders of HK$88 million (2010: HK$76 million) respectively. Increase in turnover was mainly due to the property units of Botanica Phase 2 pre-sold in prior year being recognized in 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. This project, with total gross floor area of approximately 229,000 sq.m., is scheduled for development and pre-sale by phases. All eight blocks totalled 332 units had been delivered to purchasers of **Botanica Phase 1** 寶翠園一期 in the prior years.

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

Metropolitan Oasis** 雅瑤綠洲**, Nanhai, PRC

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

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

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

Property Investment

Shenzhen, PRC

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

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

Guangzhou, PRC

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

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

Chongqing, PRC

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

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

Hong Kong

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

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

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

The Bauhinia 寶軒 Group of Hotels and Serviced Apartments

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

2. Garment

J.L. Garment Group, wholly owned by our Company, reported turnover of HK$81 million (2010: HK$100 million) with a net profit of HK$0.7 million (2010: HK$1.6 million) for the period under review.

During the period under review, the market condition remained stagnant. The pace of economic recovery in the US remained slow with high unemployment rate. The intensification of Eurozone debt crisis among the European countries increased the market volatility which further weakened the consumer market sentiment. Our customers, mainly in Germany, Italy and Canada, adopted cautious strategies on controlling purchase prices or reducing their order size, hence our export sales were slightly dropped. In the Mainland China, following the implementation of the stringent monetary policy by the Central Government to curb inflation, the general inflationary pressure on production cost was slightly relieved. It is delightful that under the present adverse market condition for garment manufacturing business in the Mainland, particularly for products export mainly to the European countries, the Management of our garment group still managed to achieve a slight profit during the period despite a decline in turnover as result of their efforts exerted to improve production efficiency.

3. Construction and Trading

Chinney Alliance Group Limited ("Chinney Alliance"), a 29.10% owned associate recorded turnover and net profit for the six months ended 30 June 2011 of HK$963 million (2010: HK$853 million) and HK$10.8 million (2010: HK$15.5 million) respectively.

The increase in turnover was mainly attributable to the building construction business which currently runs several projects, including hotel development project, private residential project and government schools project. During the period under review, due to the delay in the commencement of some building related contracting projects, profit recognition was deferred, resulting in a drop in profit.

The plastic trading division remained profitable but showed a slightly drop in both turnover and profit. The customers, who were mainly manufacturers for export market, were inevitably affected by the sluggish economic condition in the US and Europe. Nevertheless, the management would keep on identifying new business opportunities and continuing to expand the Mainland China market to prepare for the recovery of the economy.

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$6.9 million on a listed investment. The carrying value of the listed investment as measured at its market value as at 30 September 2011 approximated to its original acquisition cost.

OUTLOOK

The Hong Kong economy exhibited continued growth in 2011. It has shown a sign of moderation in growth rate in the third quarter of 2011 which was due to decrease in export sales under the present stagnant global economic environment. Third quarter GDP growth dropped to 4.3% on a year-to-year basis from 5.3% in the second quarter. However, it will continue to benefit by the strong economic growth in the Mainland China and the expansion of the local government expenditure on public construction works. It is anticipated that economic growth would be sustained in the medium term.

In Mainland China the continuous implementation of a series of macroeconomic guidelines including financial and administrative measures by the Central Government has, to a certain extent, stabilized the overheated property market in major mainland cities. Thus, such restrictive measures and tightening of monetary policy are expected to remain until the Central Government and end-users can see the return of residential property prices to a reasonable and affordable level. Likewise, property prices in Hong Kong has eased in response to the tightening of monetary and regulatory measures imposed by the Government.

As to the US and European markets, despite the respective governments' austerity measures to accelerate the economic recovery process, the unprecedented downgrade of the US credit rating and the uncertainties on the Eurozone debt crisis have further dampened investors' confidence. This not only increased the market risk and uncertainties but also induced more challenges to the business environment.

In the medium to long term, the Board is optimistic about the property market in Mainland China in view of its sustainable economic growth as well as enormous domestic demand and intends to replenish its land bank there at opportune times.

James Sai-Wing Wong
Chairman

Hong Kong, 28 November 2011

At the date of this announcement, the directors of the Company are Mr. James Sai-Wing Wong, Madam Madeline May-Lung Wong, Mr. 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.