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

2014-15 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 2014 together with comparative figures for the corresponding period in the prior year as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 September	
		2014	2013
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*2*	**242,366**	210,371
Cost of sales		**(134,439)**	(110,196)
Gross profit		**107,927**	100,175
Other income and gains	*3*	**6,350**	6,038
Fair value gains on investment properties, net		**110,755**	446,097
Fair value gains/(losses) on equity investments at fair value through profit or loss		**162**	(1,916)
Selling and distribution expenses		**(7,602)**	(7,304)
Administrative and other operating expenses		**(65,106)**	(54,056)
Finance costs	*4*	**(44,858)**	(37,711)
Share of profits and losses of:			
Associates		**8,201**	12,049
Profit before tax	*5*	**115,829**	463,372
Income tax expense	*6*	**(36,367)**	(121,554)
Profit for the period		**79,462**	341,818
Attributable to:			
Owners of the Company		**50,235**	188,466
Non-controlling interests		**29,227**	153,352
		79,462	341,818
Earnings per share attributable to ordinary equity holders of the Company	*7*		
Basic and diluted		**9.11 HK cents**	34.18 HK cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the period	**79,462**	341,818
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**34,673**	60,325
Total comprehensive income for the period	**114,135**	402,143
Attributable to:		
Owners of the Company	**72,701**	220,776
Non-controlling interests	**41,434**	181,367
	114,135	402,143

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**At 30 September 2014 (Unaudited)** *HK$'000*	At 31 March 2014 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**94,371**	94,338
Prepaid land lease payments		**10,986**	11,567
Investment properties	*8*	**7,680,052**	7,340,072
Investments in associates		**521,154**	519,423
Investment in a joint venture		**199**	199
Total non-current assets		**8,306,762**	7,965,599
CURRENT ASSETS			
Inventories		**4,883**	3,071
Properties held for sale under development and completed properties held for sale		**2,742,218**	2,535,364
Prepaid land lease payments		**1,276**	1,294
Equity investments at fair value through profit or loss		**834**	657
Trade and bills receivables	*9*	**23,025**	19,786
Prepayments, deposits and other receivables		**146,118**	96,257
Tax recoverable		**15,427**	2,813
Pledged deposits		**142,807**	116,370
Cash and bank balances		**548,141**	820,044
Total current assets		**3,624,729**	3,595,656
CURRENT LIABILITIES			
Trade payables and accrued liabilities	*10*	**112,538**	177,151
Customer deposits		**395,475**	224,402
Amount due to an associate		**37,490**	-
Tax payable		**92,318**	89,260
Interest-bearing bank borrowings		**2,567,885**	2,024,588
Total current liabilities		**3,205,706**	2,515,401
NET CURRENT ASSETS		**419,023**	1,080,255
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,725,785**	9,045,854

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	At 30 September 2014 (Unaudited) ***HK$'000***	At 31 March 2014 (Audited) *HK$'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**2,334,372**	2,733,303
Deferred tax liabilities	**497,594**	472,868
Total non-current liabilities	**2,831,966**	3,206,171
Net assets	**5,893,819**	5,839,683
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**405,411**	405,411
Reserves	**3,327,885**	3,247,821
Proposed final dividend	**-**	27,568
	3,733,296	3,680,800
Non-controlling interests	**2,160,523**	2,158,883
Total equity	**5,893,819**	5,839,683

Notes:

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The unaudited condensed interim consolidated financial statements for the six months ended 30 September 2014 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 ("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 2014.

The accounting policies and basis of preparation adopted in the preparation of this unaudited condensed interim consolidated financial statements are consistent with those of the annual financial statements for the year ended 31 Mach 2014 except that the Group has adopted the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time which are pertinent to its operations and relevant to these unaudited condensed interim consolidated financial statements.

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*

Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities.

HKAS 32 Amendments address inconsistencies in current practice when applying the offsetting criteria and clarifies the meaning of "currently has a legally enforceable right of setoff"; and the application of offsetting criteria to some gross settlement systems (such as central clearing house systems) that may be considered equivalent to net settlement.

HKAS 39 Amendments introduce a relief to allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation.

HK(IFRIC)-Int 21 addresses how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. For a levy that is triggered upon reaching a minimum threshold, no liability should be anticipated before the specified minimum threshold is reached.

The application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these unaudited condensed consolidated financial statements and/or disclosures set out in these unaudited condensed consolidated 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.

(a) Business segments

	Six months ended 30 September 2014 (Unaudited)				
	Garment	**Property development**	**Property investment**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Segment revenue:					
Sales to external customers	**45,091**	**90,832**	**87,210**	**19,233**	**242,366**
Segment results	**(8,586)**	**20,169**	**148,830**	**(4,193)**	**156,220**
Reconciliation:					
Net income from investments					**2,911**
Unallocated expenses					**(6,807)**
Fair value gains on equity investments at fair value through profit or loss					**162**
Finance costs					**(44,858)**
Share of profits and losses of associates					**8,201**
Profit before tax					**115,829**

	Six months ended 30 September 2013 (Unaudited)				
	Garment	Property development	Property investment	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:					
Sales to external customers	62,092	42,526	85,660	20,093	210,371
Segment results	(6,174)	19,790	481,512	(2,018)	493,110
Reconciliation:					
Net income from investments					3,469
Unallocated expenses					(5,629)
Fair value losses on equity investments at fair value through profit or loss					(1,916)
Finance costs					(37,711)
Share of profits and losses of associates					12,049
Profit before tax					463,372

2. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Business segments

At 30 September 2014 (Unaudited)

	Garment *HK$'000*	Property development *HK$'000*	Property investment *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment assets	**80,338**	**2,861,368**	**8,290,932**	**1,592,848**	**12,825,486**
Reconciliation:					
Elimination of intersegment receivables					**(2,122,557)**
Investments in associates					**521,154**
Investment in a joint venture					**199**
Corporate and other unallocated assets					**707,209**
Total assets					**11,931,491**
Segment liabilities	**16,480**	**1,466,970**	**518,317**	**666,293**	**2,668,060**
Reconciliation:					
Elimination of intersegment payables					**(2,122,557)**
Corporate and other unallocated liabilities					**5,492,169**
Total liabilities					**6,037,672**

At 31 March 2014 (Audited)

	Garment *HK$'000*	Property development *HK$'000*	Property investment *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment assets	77,198	2,671,435	7,855,590	1,585,691	12,189,914
Reconciliation:					
Elimination of intersegment receivables					(2,088,165)
Investments in associates					519,423
Investment in a joint venture					199
Corporate and other unallocated assets					939,884
Total assets					11,561,255
Segment liabilities	15,084	1,394,805	537,653	542,176	2,489,718
Reconciliation:					
Elimination of intersegment payables					(2,088,165)
Corporate and other unallocated liabilities					5,320,019
Total liabilities					5,721,572

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 2014 (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	**52,683**	**147,964**	**40,550**	**1,169**	**-**	**242,366**

	Six months ended 30 September 2013 (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	57,678	103,394	47,904	1,045	350	210,371

3. OTHER INCOME AND GAINS

	Six months ended 30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Bank interest income	**2,886**	2,527
Other interest income	**-**	30
Dividend income from listed investments	**25**	912
Gain on disposal of investment properties, net	**443**	324
Foreign exchange differences, net	**(146)**	(444)
Others	**3,142**	2,689
	6,350	6,038

4. FINANCE COSTS

	Six months ended 30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans, overdrafts and other loans wholly repayable within five years	**95,775**	71,213
Interest on bank loans wholly repayable after five years	**2,758**	1,017
	98,533	72,230
Less: Interest capitalized under property development projects	**(53,675)**	(34,519)
	44,858	37,711

5. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**5,753**	6,232
Amortisation of prepaid land lease payments	**638**	644
Employee benefit expense (including directors' remuneration)	**37,384**	41,165
Less: Amounts capitalized under property development projects	**(5,300)**	(4,200)
	32,084	36,965
Fair value (gains)/losses on equity investments at fair value through profit or loss	**(162)**	1,916

6. INCOME TAX

	Six months ended 30 September 2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000
Group:		
Current – Hong Kong	**4**	148
– Outside Hong Kong	**14,506**	9,501
	14,510	9,649
Deferred	**21,857**	111,905
Total tax charge for the period	**36,367**	121,554

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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 the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company of HK$50,235,000 (2013: HK$188,466,000) and the number of 551,368,153 ordinary shares in issue during both periods.

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30 September 2014 and 2013 in respect of a dilution as the Group has no potential dilutive ordinary shares in issue during both periods.

8. INVESTMENT PROPERTIES

During last period, one of the Group's investment properties under construction which was stated at cost as at 31 March 2013 was revalued on an open market, existing use basis, by independent professionally qualified valuers as its fair value can be determined reliably. This gave rise to a revaluation gain of HK$442 million and a related deferred tax of HK$111 million which were both recognized in the consolidated statement of profit or loss for that period.

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 2014 (Unaudited) ***HK$'000***	At 31 March 2014 (Audited) *HK$'000*
Within 30 days	**7,377**	5,066
31 to 60 days	**2,945**	4,064
61 to 90 days	**1,650**	7,715
Over 90 days	**11,053**	2,941
Total	**23,025**	19,786

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$18,070,000 (at 31 March 2014: HK$75,373,000). 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 2014 (Unaudited) ***HK$'000***	At 31 March 2014 (Audited) *HK$'000*
Within 30 days	**16,642**	73,884
31 to 60 days	**1,105**	1,446
61 to 90 days	**291**	36
Over 90 days	**32**	7
Total	**18,070**	75,373

11. CONTINGENT LIABILITIES

As at 30 September 2014, the Group has given guarantees of HK$91,643,000 (as at 31 March 2014 (audited): HK$9,518,000) 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 2014.

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 2014.

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 2014, 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. The Company has not established a nomination committee. The Board is responsible for considering the suitability of a candidate to act as a director, and collectively approving and terminating the appointment of a director as this allows a more informed and balanced decision to be made. The Chairman is mainly responsible for identifying suitable candidates for members of the Board when there is a vacancy or an additional director is considered necessary. The Chairman will propose the appointment of such candidates to the Board for consideration and the Board will determine the suitability of the relevant candidates on the basis of their gender, age, professional qualifications and experience as well as educational background.

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 and Mr. Paul Hon-To Tong, non-executive directors of the Company and Dr. Clement Kwok-Hung Young and Mr. Peter Man-Kong Wong, independent non-executive directors of the Company, did not attend the 2014 annual general meeting of the Company held on 28 August 2014 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 2014 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$4,902 million as at 30 September 2014 (as at 31 March 2014: HK$4,758 million), of which approximately 52% (as at 31 March 2014: 43%) of the debts were classified as current liabilities. Included therein were debts of HK$212 million (as at 31 March 2014: HK$199 million) related to bank loans with repayable on demand clause and HK$1,713 million related to bank loans which will be refinanced during the forthcoming twelve months. Based on the repayment schedules pursuant to the related loan agreements and assuming that the aforesaid refinancing will be completed on schedule, the current portion of the total interest-bearing debts was approximately 13%. The increase in total debts was mainly due to the refinancing of certain investment properties with increased facilities and the drawdown of construction/renovation bank loans for mainland development projects.

Total cash and bank balances including time deposits were approximately HK$691 million as at 30 September 2014 (as at 31 March 2014: HK$936 million). Included in cash and bank balances are restricted bank deposits of HK$80 million (as at 31 March 2014: HK$83 million) which can only be applied in the designated property development projects prior to their completion of construction. The Group had committed but undrawn banking facilities of a total of approximately HK$721 million at period end available for its working capital purpose.

Total shareholders' funds as at 30 September 2014 were approximately HK$3,733 million (as at 31 March 2014: HK$3,681 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$4,211 million (as at 31 March 2014: HK$3,822 million) over the shareholders' funds plus non-controlling interests totalling of approximately HK$5,894 million (as at 31 March 2014: HK$5,840 million), was 71% as at 30 September 2014 (as at 31 March 2014: 65%).

Funding and treasury policies

There are no significant changes in the Group's funding and treasury policies. As at 30 September 2014, the Group had no material exposure under foreign exchange contracts or any other hedging instruments.

Pledge of assets

Properties and bank balances with an aggregate carrying value of approximately HK$8,281 million as at 30 September 2014 (as at 31 March 2014: HK$8,230 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 a joint venture, employed approximately 640 employees as at 30 September 2014. 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 2014, the Group's unaudited consolidated turnover and net profit attributable to shareholders amounted to HK$242 million (2013: HK$210 million) and HK$50 million (2013: HK$188 million), respectively. Basic earnings per share were 9.11 Hong Kong cents (2013: 34.18 Hong Kong cents). As at 30 September 2014, the shareholders' equity amounted to HK$3,733 million (as at 31 March 2014: HK$3,681 million). Net assets per share attributable to shareholders were HK$6.77 (as at 31 March 2014: HK$6.68).

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2014 (2013: Nil).

BUSINESS REVIEW

1. Property

The Group's property development and investment activities are conducted by Hon Kwok Land Investment Company, Limited ("Hon Kwok") (Stock Code: 160). Hon Kwok reported turnover of HK$197 million (2013: HK$148 million) and profit attributable to their shareholders of HK$103 million (2013: HK$344 million) for the six months ended 30 September 2014. The turnover for the period mainly included the sale of property units of Metropolitan Oasis Phase I, Hon Kwok's development project in Nanhai. The substantial decrease in net profit was mainly due to the upward revaluation of investment properties, which was less than that of the prior period.

Acquisition of Properties

In May 2014, a wholly-owned subsidiary of Hon Kwok entered into a sale and purchase agreement for the acquisition of a villa located in Longgang District, Shenzhen, PRC from a wholly-owned subsidiary of Chinney Alliance Group Limited for a cash consideration of HK$8,063,000. The above acquisition constituted a connected transaction for both the Company and Hon Kwok and was subject to the reporting and announcement requirements but was exempt from independent shareholders' approval. For details, please refer to the Company's announcement dated 29 May 2014. The above transaction was completed in June 2014.

Property Development and Sales

Botanica Phase 3 寶翠園三期, 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 a total gross floor area of approximately 229,000 sq.m., is scheduled for development by phases. **Botanica Phases 1 and 2 寶翠園一及二期**, with a total 16 blocks of over 750 units, had been sold out and profits derived therefrom had been recognized in the prior financial years. Superstructure works of **Botanica Phase 3 寶翠園三期**, comprises 12 blocks of about 530 units, are well in progress and expected to be completed by stages through financial year 2015/16. Seven blocks of the above phase have been launched to the market for pre-sale and up to the date of this announcement, generated sale proceeds exceeding RMB540 million.

Metropolitan Oasis 雅瑤綠洲, Nanhai, PRC

The whole project, with a total gross floor area of approximately 273,000 sq.m., is situated in Da Li District, Nanhai and also scheduled for development by phases. Phase I of the project comprises 71 units of completed 3-storey town houses of about 18,000 sq.m. and 24 blocks of high-rise apartments of about 121,000 sq.m. under construction which are expected to be completed by stages through financial year 2015/16. The above town houses and five blocks of apartment units have been launched to market for sale, of which about 80% have been sold up to the date of this announcement and total contracted sales amounted to RMB367 million. The delivery of the above sold units to individual purchasers is in progress.

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

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

Enterprise Square 僑城坊, Shenzhen, PRC

The project, in which Hon Kwok Group has 20% interest, is situated at Qiaoxiang Road North, Nanshan District. It covers a site area of 48,764 sq.m. and is to be developed by phases into 12 blocks of buildings for composite use with a total gross floor area of approximately 224,500 sq.m. Its superstructure works have been commenced in this quarter.

Property Investment

Shenzhen, PRC

Hon Kwok City Commercial Centre 漢國城市商業中心, situated at the junction of Shen Nan Zhong Road and Fu Ming Road, Futian District, is being developed as an 80-storey (including 5 storeys underground) commercial/office/residential tower with a total gross floor area of 128,000 sq.m. Its superstructure works are in progress and completion of construction is expected to be in 2016. This signature building will be held by the Group for recurrent rental income.

City Square 城市天地廣場, situated at Jia Bin Road, Luo Hu District, is a 5-storey commercial podium. The retail shops at ground level and level 2 of the podium are fully let. The average occupancy and room rates of **The Bauhinia Hotel (Shenzhen)** 寶軒酒店（深圳）, a 162-room hotel at levels 3 to 5 of the above podium, maintained at a satisfactory level whilst the average occupancy rate of **City Suites** 寶軒公寓, a 64-unit serviced apartments on top of it, exceeded 95%.

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/office building with current occupancy rate above 90%.

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. 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. It is currently fully leased out.

Jinshan Shangye Zhongxin 金山商業中心, also situated in Bei Bu Xin Qu and adjacent to the above **Chongqing Hon Kwok Centre** 重慶漢國中心, is a twin-tower project comprising a 41-storey grade A office tower and a 42-storey 5-star hotel plus office building with respective 4-storey retail/commercial podium. Its certificate of comprehensive completion has been granted and air-conditioning and internal finishing works in respect of the office tower are in progress which are expected to be completed by next quarter. Leasing activities have also been commenced and the Group intends to hold this project for recurrent rental income.

Hong Kong

The retail areas at street level of the hotel/apartment building at Connaught Road Central and Des Voeux Road Central are currently leased out over 80%. **The Bauhinia Hotel (Central)** 寶軒酒店（中環）, situated at four podium floors of the above building, is a 42-room boutique hotel with average occupancy rate of 95% and encouraging room rates. **The Bauhinia** 寶軒, a 171-room serviced apartments atop of the above hotel, has an average occupancy rate of approximately 85%.

The Bauhinia Hotel (TST) 寶軒酒店（尖沙咀）, situated at the upper floors of a 23-storey commercial/office building at Observatory Court, Tsim Sha Tsui, is a 44-room boutique hotel with average occupancy rate exceeded 80% and satisfactory room rates. An additional newly-renovated 54 hotel rooms at the lower floors of the above building, pending issuance of hotel licence, are expected to commence operation early next year and the whole building will then comprise a 20-storey boutique hotel with a total of 98 rooms plus a restaurant at the first floor with the remaining floors for commercial use.

Hon Kwok Jordan Centre 漢國佐敦中心, situated at Hillwood Road, Tsim Sha Tsui, is a 23-storey commercial/office building with current occupancy rate above 95%.

2. Garment

J.L. Garment Group, a wholly-owned subsidiary of our Company with garment factory situated at Dongguan, the Mainland China, reported turnover of HK$45 million (2013: HK$62 million) with a net loss of HK$7.7 million (2013: loss HK$5.7 million) for the six months ended 30 September 2014.

The Eurozone's economy remained gloomy and was improving at a very slow pace. The German economy has been struggling to gather momentum for economic revival and has exhibited some sign of recovery. Yet the protracted stagnation in France and Italy delayed the overall upturn in the Eurozone countries. The European consumer markets were still slackening and showed a slowdown in new orders placed with us, eventually hitting our garment sales and profit margin. Furthermore, the upsurge of operating costs, in particular, the labour cost in the Mainland China exerted high pressure on the gross profit margin to J.L. Garment Group.

J.L. Garment Group strives to broaden its customer base and develops new business and continues its stringent measures to improve its competitiveness to combat the current market condition.

Due to the modest demand in Hong Kong industrial property market, J.L. Garment Group recorded a property revaluation gain of HK$0.2 million (2013: HK$ 2.3 million) on its investment properties while the self use property in Hong Kong was carrying at historical cost which is substantially lower than the current market value. The investment properties are held 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 2014 of HK$1,760 million (2013: HK$1,477 million) and HK$30.4 million (2013: HK$41.4 million, including a fair value gain on equity investment of HK$17.0 million) respectively. Excluding the effect of fair value gains on equity investments in last period, the profit from its business operations was HK$30.4 million (2013: HK$24.4 million).

The construction division, mainly included the Foundation Piling and Building Construction, continued its upward trend in both the turnover and profit contribution, had led to a solid improvement in the operating results of Chinney Alliance. The construction industry benefited from the abundant project tenders in the market as the Government resolved to increase the supply of residential land. Moreover, numerous major infrastructure projects are underway. The projects currently performed mainly included schools, hotels and private development contracts.

The plastic trading division recorded an increase in turnover resulting from the development of new products and distributorship. However, under the present tough business environment and tight liquidity in the manufacturing sector, customers were cost cautious, and the division's profit margin was squeezed. The division continues to expand its business in the Mainland China and to source new products and distributorship to enhance profitability.

OUTLOOK

The global economy shows signs of slowdown and the International Monetary Fund has further reduced the forecast growth rate for the next year. Although the German economy is gaining momentum for recovery, the deterioration of economic activities in France and Italy delays the upturn in the eurozone. Hence, the European consumer markets are expected to remain bleak in the near term. In the United States, the economy looks set to recover on track based on the statistical data with a drop in unemployment rate. Last month, the US Federal Reserve ended its monthly bond purchase programme and reiterated that the interest rates would remain low for a considerable time. Nevertheless, the market's expectation on the timing and pace of interest rates hike adds uncertainty on its recovery.

In the Mainland China, the downturn in property market with prices drop and the softening of export demand indicated a slowdown of economy in the third quarter. To bolster market growth, the Central Government relaxed the tightening measures, resulting in a mild rebound of property sales and prices in major cities. Furthermore, the recently announced interest rates cut, being the first time since July 2012, will likely drive up the property market. In light of the solid internal demand for residential property and the current satisfactory labour market, the long term growth path is expected to be sustainable.

In Hong Kong, the building construction industry is expected to remain robust and continue its current upward trend as there are numerous infrastructure projects and residential development in progress. During the year, the economic growth in Hong Kong has been slowing down due to the faltering property market and slackening retail sector. Yet, under the strong economic foundation and low unemployment rate, coupled with the launching of Shanghai-Hong Kong Stock Connect in this month, the Hong Kong economy is poised to return to its growth trend.

James Sai-Wing Wong
Chairman

Hong Kong, 25 November 2014

At the date of this announcement, the directors of the Company are Dr. James Sai-Wing Wong (Chairman) and Mr. Herman Man-Hei Fung (Managing Director) as executive directors; Madam Madeline May-Lung Wong, Mr. William Chung-Yue Fan, Mr. Paul Hon-To Tong and Mr. James Sing-Wai Wong as non-executive directors; and Dr. Clement Kwok-Hung Young, Mr. Peter Man-Kong Wong and Mr. James C. Chen as independent non-executive directors.