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漢國置業有限公司
Hon Kwok Land Investment Company, Limited
(Incorporated in Hong Kong with limited liability)
(Stock Code: 160)

2014-15 INTERIM RESULTS ANNOUNCEMENT

RESULTS

The directors (the "Directors") of Hon Kwok Land Investment Company, Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 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 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
	<i>Notes</i>		
Revenue	2	197,275	148,279
Cost of sales		<u>(97,213)</u>	<u>(57,757)</u>
Gross profit		100,062	90,522
Other income	3	5,743	4,790
Fair value gains on investment properties, net		110,535	443,797
Administrative expenses		(32,096)	(32,094)
Other operating expenses, net		(14,917)	(4,241)
Finance costs	4	(32,917)	(36,298)
Share of profits and losses of a joint venture and an associate		<u>(644)</u>	<u>(1)</u>
Profit before tax	5	135,766	466,475
Income tax expense	6	<u>(36,356)</u>	<u>(121,218)</u>
Profit for the period		<u>99,410</u>	<u>345,257</u>
Attributable to:			
Owners of the Company		103,082	343,970
Non-controlling interests		<u>(3,672)</u>	<u>1,287</u>
		<u>99,410</u>	<u>345,257</u>
Earnings per share attributable to ordinary equity holders of the Company	7		<i>(Restated)</i>
Basic and diluted		<u>14.3 HK cents</u>	<u>71.2 HK cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	99,410	345,257
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>35,055</u>	<u>56,563</u>
Total comprehensive income for the period	<u>134,465</u>	<u>401,820</u>
Attributable to:		
Owners of the Company	136,640	397,521
Non-controlling interests	<u>(2,175)</u>	<u>4,299</u>
	<u>134,465</u>	<u>401,820</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 September 2014 (Unaudited) HK\$'000	At 31 March 2014 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		43,004	41,366
Investment properties	8	7,649,832	7,310,072
Investment in a joint venture		199	199
Investment in an associate		<u>369,426</u>	<u>370,070</u>
Total non-current assets		<u>8,062,461</u>	<u>7,721,707</u>
CURRENT ASSETS			
Tax recoverable		15,427	2,813
Properties held for sale under development and completed properties held for sale		2,725,290	2,518,436
Trade receivables	9	9,525	7,725
Prepayments, deposits and other receivables		137,549	87,172
Pledged deposits		142,807	116,370
Cash and bank balances		<u>508,143</u>	<u>687,536</u>
Total current assets		<u>3,538,741</u>	<u>3,420,052</u>
CURRENT LIABILITIES			
Trade payables and accrued liabilities	10	90,688	155,084
Amount due to an associate		37,490	-
Interest-bearing bank borrowings		2,228,513	1,601,588
Customer deposits		395,475	224,402
Tax payable		<u>88,359</u>	<u>85,238</u>
Total current liabilities		<u>2,840,525</u>	<u>2,066,312</u>
NET CURRENT ASSETS		<u>698,216</u>	<u>1,353,740</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,760,677</u>	<u>9,075,447</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		2,049,372	2,433,303
Deferred tax liabilities		<u>490,294</u>	<u>465,544</u>
Total non-current liabilities		<u>2,539,666</u>	<u>2,898,847</u>
Net assets		<u><u>6,221,011</u></u>	<u><u>6,176,600</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	At 30 September 2014 (Unaudited) HK\$'000	At 31 March 2014 (Audited) HK\$'000
EQUITY		
Equity attributable to owners of the Company		
Issued capital	1,519,301	1,519,301
Reserves	4,449,831	4,313,191
Proposed final dividend	-	90,054
	5,969,132	5,922,546
Non-controlling interests	251,879	254,054
Total equity	6,221,011	6,176,600

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 March 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) – <i>Investment Entities</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</i>

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 property development, property investment and property related activities. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Operating segments are reported in a manner consistent with the internal reporting provided to key management personnel.

Six months ended 30 September 2014 (Unaudited)				
	Property development HK\$'000	Property investment HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue:				
Sales to external customers	<u>90,832</u>	<u>87,210</u>	<u>19,233</u>	<u>197,275</u>
Segment results	<u>20,169</u>	<u>171,565</u>	<u>(2,503)</u>	<u>189,231</u>
<i>Reconciliation:</i>				
Interest income				2,830
Unallocated expenses				(22,734)
Finance costs				(32,917)
Share of profits and losses of a joint venture and an associate				<u>(644)</u>
Profit before tax				<u>135,766</u>

Six months ended 30 September 2013 (Unaudited)				
	Property development HK\$'000	Property investment HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue:				
Sales to external customers	<u>42,526</u>	<u>85,660</u>	<u>20,093</u>	<u>148,279</u>
Segment results	<u>19,790</u>	<u>503,634</u>	<u>(1,040)</u>	<u>522,384</u>
<i>Reconciliation:</i>				
Interest income				2,512
Unallocated expenses				(22,122)
Finance costs				(36,298)
Share of profits and losses of a joint venture and an associate				<u>(1)</u>
Profit before tax				<u>466,475</u>

2. OPERATING SEGMENT INFORMATION *(Continued)*

At 30 September 2014 (Unaudited)

	Property development HK\$'000	Property investment HK\$'000	Others HK\$'000	Total HK\$'000
Segment assets	2,844,440	8,290,932	1,552,425	12,687,797
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(2,122,601)
Investment in a joint venture				199
Investment in an associate				369,426
Corporate and other unallocated assets				<u>666,381</u>
Total assets				<u>11,601,202</u>
Segment liabilities	1,466,970	518,317	660,969	2,646,256
<i>Reconciliation:</i>				
Elimination of intersegment payables				(2,122,601)
Corporate and other unallocated liabilities				<u>4,856,536</u>
Total liabilities				<u>5,380,191</u>

At 31 March 2014 (Audited)

	Property development HK\$'000	Property investment HK\$'000	Others HK\$'000	Total HK\$'000
Segment assets	2,654,507	7,855,590	1,542,884	12,052,981
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(2,088,210)
Investment in a joint venture				199
Investment in an associate				370,070
Corporate and other unallocated assets				<u>806,719</u>
Total assets				<u>11,141,759</u>
Segment liabilities	1,394,805	537,653	535,238	2,467,696
<i>Reconciliation:</i>				
Elimination of intersegment payables				(2,088,210)
Corporate and other unallocated liabilities				<u>4,585,673</u>
Total liabilities				<u>4,965,159</u>

3. OTHER INCOME

	Six months ended 30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bank interest income	2,830	2,512
Gain on disposal of investment properties, net	443	324
Others	2,470	1,954
	<u>5,743</u>	<u>4,790</u>

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	83,834	69,800
Interest on bank loans wholly repayable after five years	2,758	1,017
	<u>86,592</u>	<u>70,817</u>
Less: Interest capitalized under property development projects	<u>(53,675)</u>	<u>(34,519)</u>
	<u>32,917</u>	<u>36,298</u>

5. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	4,002	4,311
Employee benefit expense (including directors' remuneration)	18,135	17,662
Less: Amounts capitalized under property development projects	<u>(5,300)</u>	<u>(4,200)</u>
	<u>12,835</u>	<u>13,462</u>

6. INCOME TAX

	Six months ended	
	30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Group:		
Current – Outside Hong Kong	14,474	9,501
Deferred	21,882	111,717
Total tax charge for the period	36,356	121,218

No Hong Kong profits tax has been provided as the Group companies have available tax losses brought forward from prior years to offset the assessable profits generated during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

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\$103,082,000 (2013: HK\$343,970,000) and the number of 720,429,301 (2013 (restated): 483,214,775) ordinary shares in issue during both periods.

The number of ordinary shares in issue for last period used in the basic earnings per share calculation had been restated to reflect the effect of the rights issue completed in January 2014.

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 RECEIVABLES

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

	At 30 September 2014 (Unaudited) HK\$'000	At 31 March 2014 (Audited) HK\$'000
Within 30 days	2,154	2,136
31 to 60 days	1,002	1,859
61 to 90 days	818	1,607
Over 90 days	5,551	2,123
Total	9,525	7,725

Monthly rent in respect of leased properties is payable in advance by the tenants pursuant to the terms of the tenancy agreements. The balance of the consideration in respect of sold properties is payable by the purchasers pursuant to the terms of the sale and purchase agreements. Overdue trade debts are monitored closely by management and are provided for in full in case of non-recoverability. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

10. TRADE PAYABLES AND ACCRUED LIABILITIES

Included in the trade payables and accrued liabilities are trade payables of HK\$12,116,000 (at 31 March 2014: HK\$69,765,000). 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	12,116	69,765

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.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Currently, Dr. James Sai-Wing Wong is the Chairman of the Company and assumes the role of the Chairman and also the chief executive officer. Given the nature of the Group's businesses which require considerable market expertise, the Board believes that the vesting of the two roles for the time being provides the Group with stable and consistent leadership and allows for more effective planning and implementation of long term business strategies. The Board will continuously review the effectiveness of the structure to balance the power and authority of the Board and the management.

2. CG Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election and CG Code provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election in accordance with the articles of association of the Company (the "Articles of Association"). The Articles of Association do not require the directors to retire by rotation at least once every three years. However, in accordance with article 104 of the Articles of Association, at each annual general meeting of the Company, one-third of the directors for the time being (or, if their number is not three or a multiple of three, then the number nearest one-third), other than the one who holds the office as executive chairman or managing director, shall retire from office by rotation. The Board will ensure the retirement of each director, other than the one who holds the office as executive chairman or managing director, by rotation at least once every three years in order to comply with the CG Code provisions.

The Chairman will not be subject to retirement by rotation as stipulated in CG Code provision A.4.2 as the Board considers that the continuity of office of the Chairman provides the Group with a strong and consistent leadership and is of great importance to the smooth operations of the Group.

All directors appointed to fill a casual vacancy is subject to re-election by shareholders at the next following annual general meeting of the Company instead of at the first general meeting after their appointment as stipulated in CG Code provision A.4.2.

3. CG Code provision A.5.1 stipulates that the Company should establish a nomination committee which should be chaired by the Chairman of the Board or an independent non-executive director. 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.
4. CG Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Xiao-Ping Li, executive director of the Company, Madam Madeline May-Lung Wong (who retired at the annual general meeting), non-executive director of the Company and Mr. Kenneth Kin-Hing Lam and Professor Hsin-Kang Chang, 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.
5. CG Code provision B.1.2 stipulates that the terms of reference of the remuneration committee should include, as a minimum, those specific duties as set out in the CG Code provisions. The Company has adopted the revised terms of reference of the Remuneration Committee on 30 March 2012 with certain deviations from the CG Code provisions. Pursuant to the revised terms of reference, the Remuneration Committee should review and make recommendations to the Board on the remuneration packages of directors (as opposed to directors and senior management).

Audit Committee

Regular meetings have been held by the Audit Committee of the Company since its establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal control. The Company's interim results for the six months ended 30 September 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\$4,278 million as at 30 September 2014 (as at 31 March 2014: HK\$4,035 million), of which approximately 52% (as at 31 March 2014: 40%) of the debts were classified as current liabilities. Included therein were debts of HK\$212 million (as at 31 March 2014: HK\$196 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 7%. 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\$651 million as at 30 September 2014 (as at 31 March 2014: HK\$804 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\$370 million at period end available for its working capital purpose.

Total shareholders' funds as at 30 September 2014 were approximately HK\$5,969 million (as at 31 March 2014: HK\$5,923 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\$3,627 million (as at 31 March 2014: HK\$3,231 million) over the shareholders' funds plus non-controlling interests totalling of approximately HK\$6,221 million (as at 31 March 2014: HK\$6,177 million), was 58% as at 30 September 2014 (as at 31 March 2014: 52%).

Use of proceeds from the rights issue

The net proceeds of HK\$641 million from the rights issue completed in January 2014 have been utilized by (i) HK\$288 million for repayment of bank loans and (ii) HK\$186 million for settlement of construction/renovation costs of the Group's projects and as general working capital in accordance with the proposed applications as set out in the Company's prospectus dated 30 December 2013. The remaining sum of HK\$167 million, pending application for the purpose (ii) above, is being retained as cash and bank balances as at 30 September 2014.

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\$8,220 million as at 30 September 2014 were pledged to secure certain banking facilities of the Group.

Employees and remuneration policies

The Group, not including its joint venture and an associate, employed approximately 380 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

The Group's unaudited consolidated turnover and net profit attributable to shareholders for the six months ended 30 September 2014 amounted to HK\$197 million (2013: HK\$148 million) and HK\$103 million (2013: HK\$344 million), respectively. Basic earnings per share were 14.3 Hong Kong cents (2013 (restated): 71.2 Hong Kong cents). As at 30 September 2014, the shareholders' equity amounted to HK\$5,969 million (as at 31 March 2014: HK\$5,923 million) and net assets per share attributable to shareholders were HK\$8.29 (as at 31 March 2014: HK\$8.22).

The decrease in profit was mainly attributable to the recognition of property revaluation gain, net of deferred tax, of HK\$89 million only during the period against last period of HK\$332 million.

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

Acquisition of Properties

In May 2014, a wholly-owned subsidiary of the Company 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 the Company 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 the 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%.

OUTLOOK

The latest unemployment data and the third quarter GDP growth in the U.S. are both stronger than expected whilst the sluggishness of economic activities in the euro area has continued. Nevertheless, the global economy is expected to sustain its modest recovery going forward.

In Mainland China, its GDP growth slowed to 7.3% in the third quarter, the slowest in five years. To support the economy, the Central Government introduced measures to boost and upgrade domestic consumption, including housing as well as the recently announced interest rates cut for the first time since July 2012. On the other hand, the updated data indicates a slight recovery of property sales after a series of policy relaxation in the last few months and it is expected that more monetary and fiscal easing to follow.

In Hong Kong, the residential property market looks sustainable especially demands for low-end units regardless of the projected interest rates hike in the U.S. sometime next year which tends to dampen the property and stock markets then in Hong Kong. However, the asking prices and rental for street shops in core districts are expected to fall moderately in the coming months amid the alternation of consumption pattern of mainland visitors and recent political development in Hong Kong.

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), Mr. Yuen-Keung Chan and Mr. Xiao-Ping Li as executive directors; Mr. Herman Man-Hei Fung (Vice-Chairman) and Dr. Emily Yen Wong as non-executive directors; and Dr. Daniel Chi-Wai Tse, Mr. Kenneth Kin-Hing Lam and Professor Hsin-Kang Chang as independent non-executive directors.