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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)

2015-16 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 2015 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	
		2015	2014
	Notes	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue	2	594,182	197,275
Cost of sales		(335,704)	(97,213)
Gross profit		258,478	100,062
Other income	3	4,999	5,743
Fair value gains on investment properties, net		440,888	110,535
Gain on disposal of a subsidiary		7,360	-
Administrative expenses		(36,048)	(32,096)
Other operating expenses, net		(24,943)	(14,917)
Finance costs	4	(46,397)	(32,917)
Share of profits and losses of a joint venture and an associate		(141)	(644)
Profit before tax	5	604,196	135,766
Income tax expense	6	(201,358)	(36,356)
Profit for the period		402,838	99,410
Attributable to:			
Owners of the Company		375,034	103,082
Non-controlling interests		27,804	(3,672)
		402,838	99,410
Earnings per share attributable to ordinary equity holders of the Company	7		
Basic and diluted		52.1 HK cents	14.3 HK cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Profit for the period	402,838	99,410
Other comprehensive income/(loss)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(190,837)</u>	<u>35,055</u>
Total comprehensive income for the period	<u>212,001</u>	<u>134,465</u>
Attributable to:		
Owners of the Company	189,819	136,640
Non-controlling interests	<u>22,182</u>	<u>(2,175)</u>
	<u>212,001</u>	<u>134,465</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 30 September 2015 (Unaudited) Notes HK\$'000	At 31 March 2015 (Audited) HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	40,141	40,736
Investment properties	11,531,643	10,980,921
Investment in a joint venture	199	199
Investment in an associate	366,387	369,729
Total non-current assets	11,938,370	11,391,585
CURRENT ASSETS		
Tax recoverable	31,551	44,232
Properties held for sale under development and completed properties held for sale	3,231,794	3,048,681
Trade receivables	13,610	12,018
Prepayments, deposits and other receivables	170,320	149,549
Pledged deposits	207,317	344,048
Cash and bank balances	1,242,352	541,148
Total current assets	4,896,944	4,139,676
CURRENT LIABILITIES		
Trade payables and accrued liabilities	399,137	130,316
Due to an associate	37,490	37,490
Interest-bearing bank borrowings	1,487,084	2,698,579
Customer deposits	1,269,830	840,098
Tax payable	104,871	97,146
Total current liabilities	3,298,412	3,803,629
NET CURRENT ASSETS	1,598,532	336,047
TOTAL ASSETS LESS CURRENT LIABILITIES	13,536,902	11,727,632
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	4,265,552	2,676,190
Deferred tax liabilities	1,184,768	1,086,807
Total non-current liabilities	5,450,320	3,762,997
Net assets	8,086,582	7,964,635

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	At 30 September 2015 (Unaudited) HK\$'000	At 31 March 2015 (Audited) HK\$'000
EQUITY		
Equity attributable to owners of the Company		
Share capital	1,519,301	1,519,301
Reserves	<u>6,298,659</u>	<u>6,198,894</u>
	7,817,960	7,718,195
Non-controlling interests	<u>268,622</u>	<u>246,440</u>
Total equity	<u><u>8,086,582</u></u>	<u><u>7,964,635</u></u>

Notes:

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

The unaudited condensed interim consolidated financial statements 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 with 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 financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2015.

The financial information relating to the year ended 31 March 2015 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 September 2015 as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “Companies Ordinance”) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 March 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s auditor has reported on those consolidated financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

The condensed interim consolidated financial statements have been prepared under the historical cost convention, except for investment properties, which have been measured at fair value. The accounting policies adopted in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2015 except as described below. In the current period, the Group has applied, for the first time, the following revised and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA which are effective for the Group’s financial year beginning on 1 April 2015.

Amendments to HKAS 19	<i>Defined Benefit Plans: Employee Contributions</i>
<i>Annual Improvements 2010-2012 Cycle</i>	Amendments to a number of HKFRSs
<i>Annual Improvements 2011-2013 Cycle</i>	Amendments to a number of HKFRSs

The adoption of the above revised HKFRSs had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented.

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 2015 (Unaudited)				
	Property development HK\$'000	Property investment HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue:				
Sales to external customers	<u>485,921</u>	<u>87,822</u>	<u>20,439</u>	<u>594,182</u>
Segment results	<u>166,277</u>	<u>503,030</u>	<u>(3,290)</u>	<u>666,017</u>
<i>Reconciliation:</i>				
Interest income				2,419
Unallocated expenses				(17,702)
Finance costs				(46,397)
Share of profits and losses of a joint venture and an associate				<u>(141)</u>
Profit before tax				<u>604,196</u>

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>

2. OPERATING SEGMENT INFORMATION *(Continued)*

At 30 September 2015 (Unaudited)

	Property development HK\$'000	Property investment HK\$'000	Others HK\$'000	Total HK\$'000
Segment assets	3,425,306	12,653,934	1,958,501	18,037,741
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(3,050,233)
Investment in a joint venture				199
Investment in an associate				366,387
Corporate and other unallocated assets				<u>1,481,220</u>
Total assets				<u>16,835,314</u>
Segment liabilities	2,702,519	904,904	1,149,267	4,756,690
<i>Reconciliation:</i>				
Elimination of intersegment payables				(3,050,233)
Corporate and other unallocated liabilities				<u>7,042,275</u>
Total liabilities				<u>8,748,732</u>

At 31 March 2015 (Audited)

	Property development HK\$'000	Property investment HK\$'000	Others HK\$'000	Total HK\$'000
Segment assets	3,233,722	11,597,834	1,913,139	16,744,695
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(2,512,790)
Investment in a joint venture				199
Investment in an associate				369,729
Corporate and other unallocated assets				<u>929,428</u>
Total assets				<u>15,531,261</u>
Segment liabilities	1,984,856	892,124	643,714	3,520,694
<i>Reconciliation:</i>				
Elimination of intersegment payables				(2,512,790)
Corporate and other unallocated liabilities				<u>6,558,722</u>
Total liabilities				<u>7,566,626</u>

3. OTHER INCOME

	Six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bank interest income	2,419	2,830
Gain on disposal of investment properties, net	-	443
Others	2,580	2,470
	<u>4,999</u>	<u>5,743</u>

4. FINANCE COSTS

	Six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans, overdrafts and other loans	110,135	86,592
Less: Interest capitalized under property development projects	(63,738)	(53,675)
	<u>46,397</u>	<u>32,917</u>

5. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	4,005	4,002
Employee benefit expense (including directors' remuneration)	21,203	18,135
Less: Amounts capitalized under property development projects	(6,800)	(5,300)
	<u>14,403</u>	<u>12,835</u>

6. INCOME TAX

	Six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Group:		
Current – Outside Hong Kong	77,159	14,474
Deferred	<u>124,199</u>	<u>21,882</u>
Total tax charge for the period	<u>201,358</u>	<u>36,356</u>

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\$375,034,000 (2014: HK\$103,082,000) and the number of 720,429,301 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 2015 and 2014 in respect of a dilution as the Group has no potential dilutive ordinary shares in issue during both periods.

8. 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 2015 (Unaudited) HK\$'000	At 31 March 2015 (Audited) HK\$'000
Within 30 days	1,776	1,907
31 to 60 days	1,106	936
61 to 90 days	881	804
Over 90 days	<u>9,847</u>	<u>8,371</u>
Total	<u>13,610</u>	<u>12,018</u>

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.

9. TRADE PAYABLES AND ACCRUED LIABILITIES

Included in the trade payables and accrued liabilities are trade payables of HK\$43,477,000 (at 31 March 2015: HK\$57,374,000). 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 2015 (Unaudited) HK\$'000	At 31 March 2015 (Audited) HK\$'000
Within 30 days	<u>43,477</u>	<u>57,374</u>

10. CONTINGENT LIABILITIES

- (a) As at 30 September 2015, the Group has given a guarantee of HK\$40,000,000 (as at 31 March 2015 (audited): HK\$40,000,000) to a bank in connection with a facility granted to an associate and such banking facility guaranteed by the Group to the associate was utilized to the extent of HK\$40,000,000 (as at 31 March 2015 (audited): HK\$40,000,000).
- (b) As at 30 September 2015, the Group has given guarantees of HK\$539,263,000 (as at 31 March 2015 (audited): HK\$191,000,000) 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 2015.

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 2015.

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 2015, 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, Dr. Daniel Chi-Wai Tse, Mr. Kenneth Kin-Hing Lam (who retired at the 2015 annual general meeting) and Mr. Zuo Xiang, independent non-executive directors of the Company, did not attend the 2015 annual general meeting of the Company held on 27 August 2015 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 2015 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\$5,753 million as at 30 September 2015 (as at 31 March 2015: HK\$5,375 million), of which approximately 26% (as at 31 March 2015: 50%) of the debts were classified as current liabilities. Included therein were debts of HK\$174 million (as at 31 March 2015: HK\$182 million) related to bank loans with repayable on demand clause and HK\$820 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 9%. The increase in total debts was mainly due to the drawdown of bank loans for construction of mainland development projects.

Total cash and bank balances including time deposits were approximately HK\$1,450 million as at 30 September 2015 (as at 31 March 2015: HK\$885 million). Included in cash and bank balances are restricted bank deposits of HK\$688 million (as at 31 March 2015: HK\$172 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\$544 million at period end available for its working capital purpose.

Total shareholders' funds as at 30 September 2015 were approximately HK\$7,818 million (as at 31 March 2015: HK\$7,718 million). The increase was mainly due to current period's profit attributable to shareholders offset by depreciation in value of assets less liabilities denominated in Renminbi.

The gearing ratio of the Group, as measured by the net interest-bearing debts of approximately HK\$4,303 million (as at 31 March 2015: HK\$4,490 million) over the shareholders' funds plus non-controlling interests totalling of approximately HK\$8,087 million (as at 31 March 2015: HK\$7,965 million), was 53% as at 30 September 2015 (as at 31 March 2015: 56%).

Funding and treasury policies

There are no significant changes in the Group's funding and treasury policies. As at 30 September 2015, 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\$12,132 million as at 30 September 2015 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 410 employees as at 30 September 2015. 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 2015 amounted to HK\$594 million (2014: HK\$197 million) and HK\$375 million (2014: HK\$103 million), respectively. Basic earnings per share were 52.1 Hong Kong cents (2014: 14.3 Hong Kong cents). As at 30 September 2015, the shareholders' equity amounted to HK\$7,818 million (as at 31 March 2015: HK\$7,718 million) and net assets per share attributable to shareholders were HK\$10.85 (as at 31 March 2015: HK\$10.71).

The increase in turnover was mainly attributable to more property sales from the Group's PRC projects were recorded during the period whilst the increase in profit were mainly due to the recognition of property revaluation gain, net of deferred tax, of HK\$317 million during the period against last period of HK\$89 million only plus increase in contribution from property sales.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2015 (2014: Nil).

BUSINESS REVIEW

Property Development

Botanica Phase 3 寶翠園三期, Guangzhou, PRC

The **Botanica 寶翠園**, comprises 39 blocks of high-rise residential building with a total gross floor area of approximately 229,000 sq.m., is situated in the greenery zone of Tian He District near the Botanical Garden. It is scheduled for development by phases. **Botanica Phases 1 and 2 寶翠園一及二期**, with total 16 blocks of over 750 units, had been sold out and the relevant profits had been recognized in the previous financial statements. During the period under review, **Botanica Phase 3 寶翠園三期**, comprises 12 blocks of about 530 units, three blocks of which have been delivered to individual purchasers and the profits derived therefrom were recorded in the statement of profit or loss. The remaining blocks are under internal finishing works and expected to be delivered to individual purchasers by stages during the first half of 2016. Over 95% of the above phase have been sold up to the date of this announcement, generated sale proceeds amounted to RMB1,650 million. Construction works of **Botanica Phase 4 寶翠園四期**, comprises 11 blocks of about 550 units, are in progress and expected to be completed by stages commencing last quarter of 2016 through the first quarter of 2017. Several blocks have been recently launched to the market for pre-sale and up to the date of this announcement, total contracted sales exceeding RMB330 million.

Metropolitan Oasis 雅瑤綠洲, Nanhai, PRC

This project, situated in Da Li District, Nanhai with a total gross floor area of approximately 273,000 sq.m., is also scheduled for development by phases. Phase 1 of the project comprises 71 units of 3-storey town houses of about 18,000 sq.m. and 24 blocks of high-rise apartments of about 121,000 sq.m. All the town houses and above 90% of the apartment units have been launched to the market for sale, of which over 75% have been sold up to the date of this announcement, generated sale proceeds exceeding RMB800 million. Delivery of the town houses and 6 blocks of the above apartments to individual purchasers is in progress and the remaining blocks of apartments are expected to be completed and delivered early next year.

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

The development site at Dong Guan Zhuan Road, Tian He District is under the planning and design stage whilst preliminary works on project site at 45-107 Beijing Nan Road, Yue Xiu District have been commenced.

Enterprise Square 僑城坊, Shenzhen, PRC

The project, situated at Qiaoxiang Road North, Nanshan District, measures a site area of 48,764 sq.m. and with a total gross floor area of approximately 224,500 sq.m. It is being developed in two phases into 12 blocks of buildings for composite use in which the Group has 20% interest. Construction works of both Phase 1 and Phase 2 are in progress and expected to be completed in the third quarter of 2016 and mid-2017 respectively.

Property Investment

Shenzhen, PRC

Construction works of **Hon Kwok City Commercial Centre** 漢國城市商業中心, with a total gross floor area of 128,000 sq.m. and situated at the junction of Shen Nan Zhong Road and Fu Ming Road, Futian District, are well in progress and expected to be completed in mid-2016. Thereafter, this 80-storey (including 5 storeys underground) commercial/office tower will be held by the Group for recurrent rental income.

The retail shops at ground level and the entire first floor of the 5-storey commercial podium of **City Square** 城市天地廣場, situated at Jia Bin Road, Luo Hu District, 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 upper three floors of the above podium, are both satisfactory whilst the average occupancy rate of **City Suites** 寶軒公寓, a 64-unit serviced apartments atop of the same podium, close to 100%.

Guangzhou, PRC

Ganghui Dasha 港滙大廈, a 20-storey commercial/office building, is situated at the junction of Beijing Road, Nanti Er Road and Baqi Er Road, Yue Xiu District. Its current occupancy rate is about 85%.

Chongqing, PRC

The occupancy rate of **Chongqing Hon Kwok Centre** 重慶漢國中心, a 21-storey twin-tower office building atop of a 4-storey retail/commercial podium and situated in Bei Bu Xin Qu, is currently about 95%.

Jinshan Shangye Zhongxin 金山商業中心, a twin-tower project, is also situated in Bei Bu Xin Qu and adjacent to the above **Chongqing Hon Kwok Centre** 重慶漢國中心. It comprises a 41-storey grade A office tower and a 42-storey 5-star hotel plus office tower with respective 4-storey retail/commercial podium. In respect of the office tower, certain tenants have recently moved in and the related leasing activities are being closely followed up. On the other hand, the hotel/office tower is in the course of renovation.

Hong Kong

All the retail areas at street level of the hotel/apartment building at Connaught Road Central and Des Voeux Road Central are leased out. **The Bauhinia Hotel (Central)** 寶軒酒店 (中環), situated at four podium floors of the aforesaid building, is a 42-room boutique hotel with average occupancy rate over 90% with encouraging room rates. **The Bauhinia** 寶軒, a 171-room serviced apartments atop of the above hotel, has an average occupancy rate of about 85%.

The average occupancy and room rates of **The Bauhinia Hotel (TST)** 寶軒酒店 (尖沙咀), a 98-room boutique hotel occupying total 20 floors of a 23-storey commercial/office building at Observatory Court, Tsim Sha Tsui, are both satisfactory. The existing tenant of the first floor of the above building is a restaurant operator and the remaining floors for lease as commercial use.

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

The bare site at **Kin Chuen Street, Kwai Chung, New Territories** acquired in January 2015 via government public tender is under the planning and design stage and will be developed for non-residential use with a total gross floor area of approximately 228,000 sq. ft. for recurrent rental income.

The Bauhinia Hotel and Serviced Apartment Chain

The Group operates a chain of hotels and serviced apartments under the brand name of Bauhinia in Hong Kong, Shenzhen, Guangzhou plus one multi-storey 5-star hotel in the course of development in Chongqing. With the exception of **The Bauhinia Hotel (Guangzhou)** 寶軒酒店 (廣州), which is leased by the Group, properties of all other hotels and serviced apartments are wholly owned by the Group.

Hotel operation business is a long term investment which necessitates capital injections from time to time by way of replacements of furniture, fixtures and fittings plus substantial external renovation in order to enhance the recurrent operating income so as to maintain the intrinsic value of the properties.

After years of operation, the building of **The Bauhinia Hotel (Guangzhou)** 寶軒酒店 (廣州), albeit at good location, is rather dilapidated that substantial capital investment is needed in order to compete with other hotels nearby. In view of it being a leased property, intensive refurbishment and renovation thereto are not justified. As such, the management has decided to cease its operation upon expiry of the business licence by the end of this year. However, the Group still intends to acquire and enlarge its hotel and serviced apartment chain, including in Guangzhou, should opportunities arise.

OUTLOOK

In the third quarter, Mainland China recorded a 6.9% GDP growth only, the slowest since 2009. To boost economic growth, the Central Government cut the benchmark interest rates and reserve requirement ratio simultaneously in last month and it is generally expected that further monetary and fiscal easing measures to follow in the coming months. In the U.S., economy is growing at a moderate pace with the recent jobless rate fell to a seven-year low of 5% and the probability of an interest rate hike in next month cannot be ruled out. On the other hand, the European Central Bank considers, if appropriate, to extend its stimulus programs. The global economy looks uncertain but remains cautiously optimistic.

In Hong Kong, retail rentals in core districts have experienced the largest quarterly decline since 1998. Many luxury retailers have started to move out from tier-1 streets and it is expected that non-luxury retailers will become the main drivers of local retail leasing demand. On the other hand, the residential property prices peaked in September and it is likely that there will be a downward correction in property prices in the coming months, especially for small- and medium-sized units, with the secondary market in particular.

James Sai-Wing Wong
Chairman

Hong Kong, 26 November 2015

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. Zuo Xiang and Mr. William Kwan-Lim Chu as independent non-executive directors.