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If you have sold or transferred all your shares in **Chinney Investments, Limited**, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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建業實業有限公司
Chinney Investments, Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 216)

MAJOR TRANSACTION

**FULL ACCEPTANCE OF ASSURED ENTITLEMENT
UNDER THE RIGHTS ISSUE
AND
THE ENTERING INTO OF THE UNDERWRITING AGREEMENT**

Financial adviser to the Company

VEDA | CAPITAL
智 略 資 本

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DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context requires otherwise:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Business Day”	any day (other than a Saturday or Sunday, or a day on which a tropical cyclone warning signal numbered 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.) on which licensed banks in Hong Kong are open for business and the Stock Exchange is open for the business of dealing in securities
“Chinney Holdings”	Chinney Holdings Limited, a company incorporated in Hong Kong with limited liability, which is interested in approximately 60.18% of the issued share capital of the Company as at the Latest Practicable Date
“Company” or “Underwriter”	Chinney Investments, Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange, which is interested in approximately 55.79% of the issued share capital of Hon Kwok as at the Latest Practicable Date
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder’s Entitlement”	133,980,276 Rights Shares provisionally allotted to the Company under the Rights Issue
“Directors”	the directors of the Company
“Excluded Shareholder(s)”	the Overseas Shareholder(s) whom the directors of Hon Kwok, after making enquiries, consider it necessary or expedient not to offer the Rights Shares on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Group”	the Company and its subsidiaries

DEFINITIONS

“Hon Kwok”	Hon Kwok Land Investment Company, Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“Hon Kwok Group”	Hon Kwok and its subsidiaries
“Hon Kwok Share(s)”	ordinary share(s) of HK\$1.00 each in the issued capital of Hon Kwok
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Joint Announcement”	the joint announcement of the Company and Hon Kwok dated 3 December 2013 in relation to the Rights Issue of Hon Kwok and the entering into of the Undertaking and the Underwriting Agreement by the Company
“Latest Practicable Date”	20 December 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Latest Time for Termination”	4:00 p.m. on Thursday, 16 January 2014, being the latest time and date for the Underwriter to terminate the Underwriting Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers
“Overseas Shareholder(s)”	the shareholder(s) of Hon Kwok with registered address(es) (as shown in the register of members of Hon Kwok on the Record Date) which are outside Hong Kong
“Posting Date”	Monday, 30 December 2013, being the date as for the despatch of the Prospectus Documents
“PRC”	the People’s Republic of China excluding Hong Kong for the purpose of this circular
“Prospectus Documents”	the prospectus, the provisional allotment letters and the application forms for excess Rights Shares to be issued by Hon Kwok in relation to the Rights Issue

DEFINITIONS

“Qualifying Shareholder(s)”	the shareholder(s) of Hon Kwok, other than the Excluded Shareholder(s), whose name(s) appear(s) on the register of members of Hon Kwok on the Record Date
“Record Date”	27 December 2013, being the date by reference to which entitlements to the Rights Issue were determined
“Rights Issue”	the proposed issue of 240,143,100 Rights Shares by Hon Kwok on the basis of one Rights Share for every two existing Hon Kwok Shares held on the Record Date to the Qualifying Shareholders by way of rights at the Subscription Price, pursuant to the terms and conditions of the Underwriting Agreement and the Prospectus Documents
“Rights Share(s)”	new Hon Kwok Share(s) to be issued pursuant to the Rights Issue
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of HK\$0.25 each in the issued capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$2.70 per Rights Share
“Undertaking”	the irrevocable undertakings given by the Company to Hon Kwok pursuant to the Underwriting Agreement in respect of, among others, acceptance of the Controlling Shareholder’s Entitlement, subject to the approval of the Shareholders and the fulfillment of the other conditions precedent to the Underwriting Agreement
“Underwriting Agreement”	the underwriting agreement dated 3 December 2013 entered into between the Company and Hon Kwok in relation to the Rights Issue
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

LETTER FROM THE BOARD



建業實業有限公司
Chinney Investments, Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 216)

Directors:

James Sai-Wing Wong (*Chairman*)
Madeline May-Lung Wong
William Chung-Yue Fan
Herman Man-Hei Fung (*Managing Director*)
Paul Hon-To Tong
James Sing-Wai Wong

Independent non-executive Directors:

Clement Kwok-Hung Young
Peter Man-Kong Wong
James C. Chen

Registered office:

23rd Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

*Head office and principal place
of business in Hong Kong:*

23rd Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

24 December 2013

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

**FULL ACCEPTANCE OF ASSURED ENTITLEMENT
UNDER THE RIGHTS ISSUE**

AND

THE ENTERING INTO OF THE UNDERWRITING AGREEMENT

INTRODUCTION

Reference is made to the Joint Announcement in relation to, among other things, the Undertaking given by the Company in favour of Hon Kwok for the acceptance in full of its assured entitlement under the Rights Issue and the entering into of the Underwriting Agreement.

The entering into of the Undertaking and the Underwriting Agreement constitute a major transaction for the Company under Chapter 14 of the Listing Rules. The purpose of this circular is to provide you with, among other things, further details of the Undertaking, the Underwriting Agreement and the transactions contemplated thereunder in compliance with the requirements of the Listing Rules.

LETTER FROM THE BOARD

THE UNDERTAKING AND THE UNDERWRITING AGREEMENT

As stated in the Joint Announcement, Hon Kwok proposed to raise approximately HK\$648.39 million, before expenses, by the Rights Issue of 240,143,100 Rights Shares at the Subscription Price of HK\$2.70 per Rights Share on the basis of one Rights Share for every two existing Hon Kwok Shares held by the Qualifying Shareholders on the Record Date.

As at the Latest Practicable Date, the Company is interested in 267,960,553 Hon Kwok Shares, representing approximately 55.79% of the issued share capital of Hon Kwok. Under the Rights Issue, the Company will be provisionally allotted 133,980,276 Rights Shares. The Company has given the Undertaking in favour of Hon Kwok (i) to accept in full the Controlling Shareholder's Entitlement; (ii) that it owns and will on the Record Date remain to own beneficially 267,960,553 Hon Kwok Shares, representing approximately 55.79% of the total issued Hon Kwok Shares; and (iii) to lodge duly completed provisional allotment letter in respect of those Rights Shares provisionally allotted to the Company comprising the Controlling Shareholder's Entitlement with the share registrar of Hon Kwok, with payment in full by way of cheque drawn on a licensed bank in Hong Kong which shall be honoured on first presentation, by no later than the latest time and date for acceptance and payment of the Rights Shares (currently expected to be 4:00 p.m. on 14 January 2014) and otherwise in accordance with the instructions printed on the provisional allotment letter.

The Company and Hon Kwok also entered into the Underwriting Agreement pursuant to which the Company is obligated to apply for or procure responsible persons to apply for 106,162,824 Rights Shares (being all the Rights Shares other than the Controlling Shareholder's Entitlement) in the event that all such Rights Shares are not taken up.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully-paid, will rank *pari passu* with the then existing Hon Kwok Shares in issue on the date of allotment of the Rights Shares. Holders of such Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Rights Shares.

Application has been made by Hon Kwok to the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms.

Principal terms of the Underwriting Agreement

Date:	3 December 2013 (after trading hours)
Parties:	Hon Kwok and the Company, being the Underwriter
Number of Rights Shares underwritten by the Underwriter:	106,162,824 Rights Shares, being all the Rights Shares other than the Controlling Shareholder's Entitlement

LETTER FROM THE BOARD

Subscription price:	HK\$2.70 per Rights Share
Underwriting fee:	2% of the aggregate Subscription Price for the total underwritten Rights Shares

Subscription Price

The Subscription Price is HK\$2.70 per Rights Share payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of Rights Shares or, where applicable, upon application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for Rights Shares. The Subscription Price represents:

- a discount of approximately 10.60% to the closing price of HK\$3.02 per Hon Kwok Share as quoted on the Stock Exchange on 3 December 2013, being the date of the Underwriting Agreement;
- a discount of approximately 9.82% to the average closing price of HK\$2.994 per Hon Kwok Share for the last five consecutive trading days up to and including 3 December 2013;
- a discount of approximately 9.67% to the average closing price of HK\$2.989 per Hon Kwok Share for the last ten consecutive trading days up to and including 3 December 2013;
- a discount of approximately 7.31% to the theoretical ex-rights price of HK\$2.913 per Hon Kwok Share calculated based on the closing price as quoted on the Stock Exchange on 3 December 2013; and
- the closing price of HK\$2.70 per Hon Kwok Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was arrived at after arm's length negotiation between Hon Kwok and the Underwriter with reference to, among other things, the market price of Hon Kwok Shares under prevailing market conditions prior to the entering into of the Underwriting Agreement. Each Qualifying Shareholder is entitled to accept the provisional allotment of the Rights Shares at the same price in proportion to his/her/its shareholding in Hon Kwok on the Record Date.

Underwriting fee

The underwriting fee was determined after arm's length negotiation between Hon Kwok and the Underwriter by reference to the size of the Rights Issue and the current and expected market condition.

LETTER FROM THE BOARD

Conditions precedent

The Rights Issue is conditional upon the Underwriting Agreement becoming unconditional and not being terminated. The obligations of the Underwriter under the Underwriting Agreement are conditional on:

- (i) the Shareholders approving the entering into, and performance of, the Underwriting Agreement and the Undertaking pursuant to the requirements as set out in Chapter 14 of the Listing Rules;
- (ii) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong of the Prospectus Documents, each duly signed by every person who is named therein as a director or proposed director of Hon Kwok (or by their agents duly authorised in writing) and all other documents required to be attached thereto and otherwise complying with the requirements of the Companies Ordinance and the Listing Rules on or before the Posting Date;
- (iii) the posting of copies of the Prospectus Documents to the Qualifying Shareholders on or before the Posting Date and in any event not earlier than the delivery to the Stock Exchange and registration by the Registrar of Companies in Hong Kong of the Prospectus Documents in accordance with condition (ii) above;
- (iv) the delivery by the Underwriter to Hon Kwok on the date of the Underwriting Agreement, the Undertaking duly executed by the Underwriter;
- (v) compliance by the Underwriter with all its undertakings and obligations contained in the Undertaking and the Underwriting Agreement in accordance with the terms thereof;
- (vi) the Listing Committee of the Stock Exchange granting and not having withdrawn or revoked the listing of, and permission to deal in, the Rights Shares (in their nil-paid and fully-paid forms, subject only to allotment and despatch of the appropriate document of title); and
- (vii) the obligations of the Underwriter under the Underwriting Agreement not being terminated by the Underwriter in accordance with the terms hereof.

The conditions set out above cannot be waived by the parties. In the event that the above conditions have not been satisfied by the parties on or before the time and dates specified therein or if no time or date is specified therein, the Latest Time for Termination, whichever is earlier (or such other date(s) as Hon Kwok and the Underwriter may mutually agree), all liabilities of the parties to the Underwriting Agreement shall cease and determine and no party shall have any claim against the other parties save for any antecedent breach of the Underwriting Agreement and the Rights Issue will not proceed.

LETTER FROM THE BOARD

Termination of the Underwriting Agreement

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right to terminate the arrangements set out in the Underwriting Agreement, which shall be exercisable by notice in writing given by the Underwriter to Hon Kwok at any time prior to the Latest Time for Termination (or such later date and/or time as Hon Kwok and the Underwriter may agree in writing), if:

- (i) any of the following events occur which would, in the absolute opinion of the Underwriter, materially and adversely affect the business, financial or trading position or prospects of the Hon Kwok Group as a whole or the success of the Rights Issue or the taking up of the Rights Shares by the shareholders of Hon Kwok or otherwise make it inexpedient or inadvisable for Hon Kwok or the Underwriter to proceed with the Rights Issue:
 - (a) the introduction of any new law or regulation or any material change in existing law or regulation or any material change in the judicial interpretation or application thereof or other occurrence of any nature whatsoever; or
 - (b) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events or changes occurring or continuing before and/or after the date hereof and including an event or change in relation to or a development of an existing state of affairs) of a political, military, financial, regulatory, economic, currency or other nature (whether or not ejusdem generis with any of the foregoing or in the nature of any local, national or international, outbreak or escalation of hostilities or armed conflict) resulting in a material adverse change in, or which might reasonably be expected to result in a material adverse change in, political, economic or stock market conditions; or
 - (c) the imposition of any moratorium, suspension or material restriction on trading in securities generally or Hon Kwok's securities on the Stock Exchange occurring due to exceptional financial circumstances; or
 - (d) any material change in market conditions, taxation or exchange control or combination of circumstances in Hong Kong or elsewhere (including without limitation suspension or material restriction on trading in the securities of Hon Kwok); or
- (ii) the Underwriter shall receive notice of, or shall otherwise become aware of, the fact that any of the representations, or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate and the Underwriter shall, in its absolute opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Hon Kwok Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or

LETTER FROM THE BOARD

- (iii) any change occurs in the circumstances of Hon Kwok or any member of the Hon Kwok Group which would materially and adversely affect the business, financial or trading position or prospects of the Hon Kwok Group as a whole; or
- (iv) there shall occur any event, or series of events, beyond the control of the Underwriter (including, without limitation, acts of government, strike, lock-out, fire, explosion, flooding, civil commotion, acts of war, acts of terrorism or acts of God) which, in the absolute opinion of the Underwriter, have or would have the effect of making any part of the Underwriting Agreement incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Rights Issue or pursuant to the underwriting thereof or which have or is likely to have a material prejudicial effect on the Rights Issue.

Upon the giving of the notice, all obligations of the Underwriter thereunder shall cease and determine and no party shall have any claim against any other party (save for any antecedent breaches thereof) and the Rights Issue shall not proceed.

Reasons for the entering into of the Undertaking and the Underwriting Agreement

Hon Kwok is the principal subsidiary of the Company and contributes the majority of the Group's net assets and profits. As disclosed in the annual report of Hon Kwok, its net asset value as at 31 March 2013 amounted to HK\$10.25 per Hon Kwok Share, representing (i) approximately 379.63% over the closing price of HK\$2.70 per Hon Kwok Share on the Latest Practicable Date; (ii) approximately 339.40% over the closing price of HK\$3.02 per Hon Kwok Share on 3 December 2013, being the date of the Underwriting Agreement; and (iii) approximately 379.63% over the Subscription Price. In addition, Hon Kwok has a consistent and stable dividend policy and maintained a dividend of HK\$0.125 per Hon Kwok Share for each of the last seven years, representing an annual dividend yield of approximately 4.63% based on the Subscription Price.

The Directors are optimistic about the future prospects of Hon Kwok. Completed property development and investment projects of Hon Kwok are either sold out or being held for generating stable and recurring rental income, while those under construction are well in progress and projected to be completed in coming years, upon which their asset value would be further released. The Directors also believe that the Rights Issue will strengthen the capital base and financial position of Hon Kwok so that Hon Kwok will be able to capture more business opportunities associated with its principal business engagements in the future.

Given the substantial premium of the net asset value per Hon Kwok Share to the Subscription Price and the expected consistent dividend payout by Hon Kwok, the Directors consider that the holding of equity interests in Hon Kwok represents an attractive investment and provide a stable return to the Company. As such, the acceptance of the Controlling Shareholder's Entitlement and the entering into of the Underwriting Agreement would not only enable the Company to maintain its pro-rata shareholding in Hon Kwok after the Rights Issue but also provide an opportunity for the Company to further increase its shareholding in Hon Kwok.

LETTER FROM THE BOARD

The Undertaking and the Underwriting Agreement were determined after arm's length negotiations between the Company and Hon Kwok and on normal commercial terms. The Directors consider that the terms and conditions of the Underwriting Agreement, including the underwriting commission and the Subscription Price, are fair and reasonable and believe that the acceptance of the Controlling Shareholder's Entitlement under the Undertaking and the entering into of the Underwriting Agreement are in the interests of the Company and the Shareholders as a whole.

EFFECTS ON THE COMPANY'S SHAREHOLDING IN HON KWOK UNDER THE RIGHTS ISSUE

As at the Latest Practicable Date, the Company is interested in 267,960,553 Hon Kwok Shares, representing approximately 55.79% of the issued share capital of Hon Kwok. Assuming all Qualifying Shareholders (including the Company) take up their respective provisional allotments under the Rights Issue, the Company will continue to be interested in approximately 55.79% of the issued share capital of Hon Kwok upon completion of the Rights Issue. In the event that only the Company takes up its Controlling Shareholder's Entitlement and is required to fulfill its obligations under the Underwriting Agreement, the shareholding interests of the Company in Hon Kwok will increase to approximately 70.53% of the issued share capital of Hon Kwok immediately after completion of the Rights Issue.

FINANCIAL EFFECTS OF THE UNDERTAKING AND THE UNDERWRITING AGREEMENT

Pursuant to the Undertaking, the Company is required to pay approximately HK\$361.75 million for the acceptance of the Controlling Shareholder's Entitlement.

Pursuant to the Underwriting Agreement, in the event that all the Rights Shares other than the Controlling Shareholder's Entitlement are not taken up, the Company is required to pay approximately HK\$286.64 million for the 106,162,824 Rights Shares underwritten.

The consideration for the fulfillment of the Company's obligations under the Undertaking and the Underwriting Agreement will be fully satisfied in cash and will be financed by the internal resources of the Company.

Based on the unaudited pro forma financial information of the Group as set out in Appendix III to this circular, the net assets of the Group attributable to Shareholders immediately following completion of the Rights Issue, assuming that all Qualifying Shareholders (including the Company) take up their respective provisional allotments under the Rights Issue, will be decreased slightly from HK\$3,180.61 million to HK\$3,179.72 million. Assuming that only the Company takes up its Controlling Shareholder's Entitlement and is required to fulfill its obligations under the Underwriting Agreement, the net assets of the Group attributable to Shareholders upon completion of the Rights Issue will be increased from HK\$3,180.61 million to HK\$3,767.25 million.

LETTER FROM THE BOARD

INFORMATION OF THE GROUP AND HON KWOK

The principal activities of the Group are property development, property investment and property related activities through the Hon Kwok Group, garment manufacturing and trading, and general securities investment.

Hon Kwok acts as an investment holding company and provides management services to its subsidiaries. Its subsidiaries are mainly engaged in property development, property investment and property related activities.

According to the annual report of Hon Kwok for the year ended 31 March 2013, the net assets of Hon Kwok Group as at 31 March 2013 are HK\$5,175,312,000 and net profit and loss before and after taxation of Hon Kwok Group for the years ended 31 March 2012 and 2013 respectively are summarized below:

	For the year ended 31 March	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation and extraordinary items	425,903	372,333
Profit after taxation and extraordinary items	<u>401,262</u>	<u>279,550</u>

LISTING RULES IMPLICATION

The aggregate consideration for the fulfillment of the Company's obligations under the Undertaking and the Underwriting Agreement exceeds 25% but is less than 100% of the applicable percentage ratios (as defined under the Listing Rules) and therefore the entering into of the Undertaking and the Underwriting Agreement constitute a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

As no Shareholder has any material interest in the Undertaking and the Underwriting Agreement, no Shareholder is required to abstain from voting at a general meeting to approve the entering into of the Undertaking and the Underwriting Agreement. The Company has obtained from Chinney Holdings, which holds approximately 60.18% of the issued share capital of the Company as at the Latest Practicable Date, its written approval of the entering into of the Undertaking and the Underwriting Agreement. Pursuant to Rule 14.44 of the Listing Rules, the entering into and performance of the Undertaking and the Underwriting Agreement have been approved by way of written shareholders' approval in lieu of holding a general meeting of the Company.

RECOMMENDATION

Having taken into account that, (i) the Rights Issue is able to strengthen the capital base of Hon Kwok so that Hon Kwok will be in a position to capture more business opportunities associated with its principal business engagements in the future; and (ii) the Undertaking is

LETTER FROM THE BOARD

given in order to support and maintain the value of the Company's investment in Hon Kwok, which will in turn provide the Company an opportunity to enjoy the future return of Hon Kwok, the Board considers that the acceptance of the Controlling Shareholder's Entitlement pursuant to the Undertaking, the entering into of the Underwriting Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By order of the Board
Herman Man-Hei Fung
Managing Director

1. FINANCIAL INFORMATION OF THE GROUP

The consolidated financial information of the Group (i) for the year ended 31 March 2013 is disclosed in pages 40 to 141 of the annual report of the Company for the year ended 31 March 2013; (ii) for the year ended 31 March 2012 is disclosed in pages 35 to 133 of the annual report of the Company for the year ended 31 March 2012; (iii) for the year ended 31 March 2011 is disclosed in pages 38 to 143 of the annual report of the Company for the year ended 31 March 2011; and (iv) for the six months period ended 30 September 2013 is disclosed in pages 18 to 38 of the interim report of the Company for the six months ended 30 September 2013.

The annual reports of the Company for the years ended 31 March 2011, 31 March 2012 and 31 March 2013, and the interim report of the Company for the six months ended 30 September 2013, have been published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at <http://www.chinney.com.hk>.

2. INDEBTEDNESS STATEMENT

At the close of business on 22 November 2013, the Group had outstanding borrowings of approximately HK\$4,610 million comprising:

- (a) secured bank loans of approximately HK\$3,761 million; and
- (b) unsecured bank loans of approximately HK\$849 million.

All of the above outstanding borrowings of the Group are unguaranteed.

The Group's secured bank borrowings as at 22 November 2013 were secured by shares in certain subsidiaries, fixed charges on certain properties, certain bank balances, and assignment of rental income from leases of certain investment properties of the Group.

Save as aforesaid or as otherwise mentioned herein and apart from intra-group liabilities and normal accounts payable and bills payable in the ordinary course of business, the Group did not have any outstanding mortgages, charges, debentures, loan capital, debt securities, bank loans and overdrafts or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances (other than normal trade bills) or acceptance credits as at the close of business on 22 November 2013.

For the purpose of this indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the approximate exchange rates prevailing as at the close of business on 22 November 2013.

The Directors are not aware of any material adverse changes in the Group's indebtedness position since 22 November 2013.

3. CONTINGENT LIABILITIES

As at 22 November 2013, the Group has given guarantees of HK\$5,751,000 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.

4. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that in the absence of unforeseen circumstances, upon completion of the Rights Issue and after taking into account of its available financial resources, including internal resources and present available banking facilities, the Group has sufficient working capital for its present requirements for the next 12 months from the date of this circular.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The principal activities of the Group are property development, property investment and property related activities through the Hon Kwok Group and garment manufacturing and trading through J.L. Chinney (Holdings) Company Limited and its subsidiaries. Apart from these, the Company has investment in Chinney Alliance Group Limited ("Chinney Alliance"), a company listed on the Stock Exchange and beneficially owned as to approximately 29.10% by the Company, and other general securities investment.

As at 31 March 2013, being the date to which the Group's latest published audited financial statements were made up, the Group had a total shareholders' funds of approximately HK\$2,987 million. The gearing ratio of the Group, as measured by the net interest-bearing debts of approximately HK\$3,083 million over the shareholders' fund plus non-controlling interests of approximately HK\$5,422 million, was 57% as at 31 March 2013. The Group had cash and bank balances including time deposits of approximately HK\$584 million and committed but undrawn banking facilities of approximately HK\$1,297 million as at 31 March 2013. The Directors expect that the Group will continue to maintain a healthy financial position to support the business operations.

Property Development, Investment and Hotel Operations

The Group's property development and investment activities are conducted by the Hon Kwok Group which is owned by the Company as to approximately 55.79% as at the Latest Practicable Date. The property portfolio of Hon Kwok Group is principally located in Hong Kong and the PRC and currently various investment property projects in the PRC are under construction and close to completion stage. In particular, the superstructure works of Jinshan Shangye Zhongxin (金山商業中心) in Chongqing have been completed and will be ready for completion inspection by the early of 2014. The Hon Kwok City Commercial Centre (漢國城市商業中心), an 80-storey landmark building in Shenzhen in the course of construction, is well under progress. As to the development projects for sale, the high-rise residential apartments of the Phase 1 of Metropolitan Oasis (雅瑤綠洲) in Nanhai and the Phase 3 of Botanica (寶翠園) in Guangzhou are expected to be completed by stages in coming one to two years.

Completed investment properties of Hon Kwok Group in both Hong Kong and the PRC currently have average occupancy of over 90% whilst the hotel operation under the brand name of “The Bauhinia” maintains a satisfactory occupancy and room rates. Renovation works of an additional 54 hotel rooms at The Bauhinia (TST) are expected to be completed by the first half of 2014.

Garment

The Group’s garment business, which focuses on fashionable garment production in Mainland China and export mainly to European market, has remained extremely tough in the aftermath of the Eurozone debt crisis that greatly affecting the export oriented manufacturing businesses. With no apparent sign of revitalization in the European consumer market, the Group’s customers, mainly from Germany and Italy, appeared to be more cautious and pessimistic. They tended to scale down their retail sales operation, eventually hitting adversely on the garment sales and profit. Meanwhile, the Group strives to maintain its existing customer base in the European market and in the meantime explore new business opportunities from the local and South East Asia markets.

Due to increase in labour and material costs, the Group’s garment business unit continues to implement tight budget control and optimize its production base in the PRC to improve overall competitiveness to combat current market condition.

Construction and Trading

With the implementation of infrastructure projects by Hong Kong Government as well as its policy to boost housing supply, the foundation and piling division of Chinney Alliance is able to achieve a satisfactory growth in the number of projects awarded from both the private and public residential development sectors. Contracts margin has shown improvement amid the highly competitive market. Moreover, as additional projects in the building related contracting services division were newly commenced during the year, the Directors believe that Chinney Alliance will continue to contribute positively to the Group’s results.

Outlook

Looking ahead, the global economy is expected to remain challenging. Although the major eurozone countries experienced slight GDP growth which signified a rebound from recession, the prolonged high unemployment rates diminished the investors’ confidence and became a major concern in the eurozone countries. To boost the recovery process, the European Central Bank decided to implement easing monetary policy and lowered the interest rate recently. In the United States, the Federal Reserve revealed its intention to keep the easing monetary policy amid the statistical data showing that there was a general improvement in unemployment. The US economy is moving on steadily on its track of recovery. Yet, the market’s expectation on the timing and pace of the possible QE tapering still remains as an uncertainty to the US market.

In the PRC, property prices rose in the major cities and numerous record-breaking land bid were recorded during the year. It is expected that the Central Government of the PRC may introduce further restrictive measures to stabilise the overheated property market. Nevertheless, in light of the strong demand for residential property in the course of rapid urbanization in the PRC, the demand driven property market looks set to be relatively sustainable.

The Hong Kong economy continued its moderate growth with a low unemployment rate at 3.3%. Benefited from the massive capital expenditure by the local government including public construction work and infrastructure projects, coupled with the liquidity in the money market, it is anticipated that the local economy will remain prosperous, particularly for the building construction industry.

In view of the above and barring unforeseen circumstances, the Directors remain optimistic on the financial and trading prospect of the Group for the current financial year.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2013, being the date to which the latest published audited financial statements of the Group were made up.

1. FINANCIAL INFORMATION OF THE HON KWOK GROUP

The consolidated financial information of the Hon Kwok Group (i) for the year ended 31 March 2013 is disclosed in pages 39 to 123 of the annual report of Hon Kwok for the year ended 31 March 2013; (ii) for the year ended 31 March 2012 is disclosed in pages 33 to 113 of the annual report of Hon Kwok for the year ended 31 March 2012; (iii) for the year ended 31 March 2011 is disclosed in pages 36 to 121 of the annual report of Hon Kwok for the year ended 31 March 2011; and (iv) for the six months period ended 30 September 2013 is disclosed in pages 17 to 36 of the interim report of Hon Kwok for the six months ended 30 September 2013.

The annual reports of Hon Kwok for the years ended 31 March 2011, 31 March 2012 and 31 March 2013, and the interim report of Hon Kwok for the six months ended 30 September 2013, have been published on the website of the Stock Exchange at www.hkex.com.hk and the website of Hon Kwok at <http://www.honkwok.com.hk>.

2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE HON KWOK GROUP**Financial results for the six months ended 30 September 2013**

The unaudited consolidated turnover and net profit attributable to shareholders of the Hon Kwok Group for the six months ended 30 September 2013 amounted to HK\$148 million and HK\$344 million respectively, representing increases of approximately 62.64% and 51.54% respectively compared with the corresponding six months period ended 30 September 2012. Basic earnings per Hon Kwok Share were 71.62 Hong Kong cents. As at 30 September 2013, the shareholders' equity of the Hon Kwok Group amounted to HK\$5,263 million and the net assets per Hon Kwok Share attributable to Hon Kwok Shareholders were HK\$10.96.

The increase in profit was mainly attributable to the recognition of property revaluation gain, net of deferred tax, of HK\$332 million.

Financial results for the year ended 31 March 2013

For the year ended 31 March 2013, the Hon Kwok Group's audited consolidated turnover and net profit attributable to shareholders amounted to HK\$238 million and HK\$402 million respectively, compared with HK\$899 million and HK\$217 million (restated) respectively for the year ended 31 March 2012. Basic earnings per Hon Kwok Share were 84 Hong Kong cents. As at 31 March 2013, the shareholders' equity of the Hon Kwok Group amounted to HK\$4,922 million and net assets per Hon Kwok Share attributable to Hon Kwok Shareholders were HK\$10.25.

The decrease in turnover was mainly due to fewer property sales recognised for the year whereas the increase in profit was mainly attributable to the recognition of property revaluation gain, net of deferred tax, of HK\$397 million for the financial year of 2013.

Financial results for the year ended 31 March 2012

For the year ended 31 March 2012, the Hon Kwok Group's audited consolidated turnover and net profit attributable to shareholders amounted to HK\$899 million and HK\$206 million respectively, compared with HK\$146 million and HK\$464 million respectively for the year ended 31 March 2011. Basic earnings per Hon Kwok Share were 43 Hong Kong cents. As at 31 March 2012, the shareholders' equity of the Hon Kwok Group amounted to HK\$4,258 million and net assets per Hon Kwok Share attributable to Hon Kwok Shareholders were HK\$8.87.

The increase in turnover was mainly due to the recognition of sales of the Hon Kwok Group's development project in Guangzhou resulted from the delivery of units to purchasers whereas property revaluation gain, net of deferred tax, of HK\$136 million only was being recognised in the income statement during the year against last year's HK\$510 million that led to the decrease in net profit for the year. In fact, recognition of property sales coupled with the enhanced income from investment properties and hospitality contributed to the increase of the Hon Kwok Group's core profit during the year ended 31 March 2012.

Financial results for the year ended 31 March 2011

For the year ended 31 March 2011, the Hon Kwok Group's audited consolidated turnover and net profit attributable to shareholders amounted to HK\$146 million and HK\$464 million respectively, compared with HK\$813 million and HK\$374 million respectively for the year ended 31 March 2010. Basic earnings per Hon Kwok Share were 97 Hong Kong cents. As at 31 March 2011, the shareholders' equity of the Hon Kwok Group amounted to HK\$3,995 million and net assets per Hon Kwok Share attributable to Hon Kwok Shareholders were HK\$8.32.

The decrease in turnover was mainly due to the pre-sold units of the Hon Kwok Group's development project in Guangzhou have yet to be recognised for the financial year of 2011. On the other hand, the increase in net profit was mainly attributable to the recognition of property revaluation gain, net of deferred tax, of HK\$510 million during the year ended 31 March 2011.

Liquidity and financial resources

The total interest-bearing debts of the Hon Kwok Group amounted to approximately HK\$4,199 million as at 30 September 2013, HK\$3,569 million as at 31 March 2013, HK\$2,798 million as at 31 March 2012, and HK\$2,381 million as at 31 March 2011.

The increase in total debts was mainly due to the refinancing of a syndicated bank loan and certain investment properties with increased facilities and the drawdown of bank loans for development projects in the PRC.

Total cash and bank balances including time deposits of the Hon Kwok Group were approximately HK\$712 million as at 30 September 2013, HK\$535 million as at 31 March 2013, HK\$949 million as at 31 March 2012, and HK\$1,089 million as at 31 March 2011. As at each

of 30 September 2013, 31 March, 2013, 31 March 2012 and 31 March 2011, the Hon Kwok Group had committed but undrawn banking facilities of a total of approximately HK\$491 million, HK\$939 million, HK\$534 million and HK\$844 million, respectively, available for its working capital purpose.

Total shareholders' funds of the Hon Kwok Group as at each of 30 September 2013, 31 March 2013, 31 March 2012 and 31 March 2011 were approximately HK\$5,263 million, HK\$4,922 million, HK\$4,258 million and HK\$3,995 million respectively. The gearing ratio of the Hon Kwok Group, as measured by the net interest-bearing debts over the shareholders' funds plus non-controlling interests, was 63%, 59%, 41% and 31% as at each of 30 September 2013, 31 March 2013, 31 March 2012 and 31 March 2011.

Funding and treasury policies

The Hon Kwok Group adopts prudent funding and treasury policies. Surplus funds are primarily maintained in the form of cash deposits with leading banks. Acquisition and development of properties are financed partly by internal resources and partly by bank loans. Repayments of bank loans are scheduled to match asset lives and project completion dates. Bank loans are mainly denominated in Hong Kong dollars, Renminbi and United States dollars and bear interest at floating rates.

Foreign currency exposure is monitored closely by management and hedged to the extent desirable. As at each of 30 September 2013, 31 March 2013, 31 March 2012 and 31 March 2011, the Hon Kwok 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\$7,732 million as at 30 September 2013, HK\$6,754 million as at 31 March 2013, HK\$5,492 million as at 31 March 2012 and HK\$5,052 million as at 31 March 2011, were pledged to secure certain banking facilities of the Hon Kwok Group.

Employees and remuneration policies

The Hon Kwok Group, not including its jointly-controlled entities and an associate, employed approximately 330 employees as at 30 September 2013, 370 employees as at 31 March 2013, 360 employees as at 31 March 2012, and 450 employees as at 31 March 2011. Remuneration is determined by reference to market terms and the qualifications and experience of the staff concerned. Salaries are reviewed annually with discretionary bonuses being paid depending on individual performance. The Hon Kwok Group also provides other benefits including medical cover, provident fund, personal accident insurance and educational subsidies to all eligible staff.

**1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP
ASSUMING FULL ACCEPTANCE BY THE COMPANY AND ALL OTHER
QUALIFYING SHAREHOLDERS**

A. Introduction

The following is an illustrative and unaudited pro forma statement of assets and liabilities of the Group (“Unaudited Pro Forma Financial Information”), which have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Rights Issue, based on the scenario of full acceptance by the Company and all other Qualifying Shareholders of their provisional allotments under the Rights Issue, as if it had taken place on 30 September 2013.

The Unaudited Pro Forma Financial Information has been prepared based on the unaudited condensed consolidated financial information of the Group as at 30 September 2013 as set out in its interim report for the six months ended 30 September 2013, after giving effect to the pro forma adjustments described in the accompanying notes. Narrative descriptions of the pro forma adjustments that are (i) directly attributable to the transactions; (ii) expected to have a continuing impact on the Group; and (iii) factually supportable, are set out in the accompanying notes.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group upon completion of the Rights Issue, where applicable, or at any future dates.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

APPENDIX III	UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP UPON COMPLETION OF THE RIGHTS ISSUE		
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B. Unaudited pro forma financial information as at 30 September 2013

	The Group HK\$'000 (Note 1)	Pro forma adjustments HK\$'000	<i>Notes</i>	Pro Forma Group HK\$'000
NON-CURRENT ASSETS				
Properties, plant and equipment	100,277			100,277
Prepaid land lease payments	12,284			12,284
Investment properties	6,955,343			6,955,343
Investments in associates	500,628			500,628
Investments in jointly-controlled entities	199			199
Deferred tax assets	252			252
Loans receivables	367			367
Total non-current assets	7,569,350			7,569,350
CURRENT ASSETS				
Inventories	6,726			6,726
Properties held for sale under development and completed properties held for sale	2,359,695			2,359,695
Prepaid land lease payments	1,288			1,288
Equity investments at fair value through profit or loss	62,821			62,821
Trade and bills receivables	20,895			20,895
Prepayments, deposits and other receivables	73,039			73,039
Amounts due from a related company	496			496
Taxation recoverable	374			374
Pledged deposits	120,110			120,110
Cash and cash equivalents	631,665	641,070	3	1,272,735
Total current assets	3,277,109			3,918,179
CURRENT LIABILITIES				
Trade payables and accrued liabilities	106,930			106,930
Customer deposits	130,369			130,369
Tax Payable	82,180			82,180
Interest-bearing bank borrowings	2,201,416	56,014	2	2,257,430
Total current liabilities	2,520,895			2,576,909
NET CURRENT ASSETS	756,214			1,341,270
TOTAL ASSETS LESS CURRENT LIABILITIES	8,325,564			8,910,620
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings	2,103,280	300,000	2	2,403,280
Deferred tax liabilities	426,086			426,086
Total non-current liabilities	2,529,366			2,829,366
Net assets	5,796,198			6,081,254

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE GROUP UPON COMPLETION OF THE RIGHTS ISSUE**

	The Group HK\$'000 (Note 1)	Pro forma adjustments HK\$'000	Notes	Pro Forma Group HK\$'000
EQUITY				
Equity attributable to owners of the Company				
Issued capital	137,842	–		137,842
		240,143	3	
		(240,143)	4	
Reserves	3,042,764	(883)		3,041,881
		5,733	2	
		402,510	3	
		(883)	3	
		(402,510)	4	
		(5,733)	4	
Non-controlling interests	3,180,606 2,615,592	285,939		3,179,723 2,901,531
		(700)	3	
		286,639	2	
Total equity	<u>5,796,198</u>			<u>6,081,254</u>

Notes:

- (1) The balances are extracted from the unaudited financial information of the Group as at 30 September 2013 as set out in the interim report of the Company for the six months ended 30 September 2013.
- (2) The adjustments represent the subscription of 240,143,100 Rights Shares for a subscription price of HK\$2.7 each, with total principal amount of HK\$648,386,370. The subscription comprises: (i) subscription of 133,980,276 Rights Shares on the basis that the Company beneficially owning 267,960,553 Hon Kwok Shares on the Record Date; and (ii) subscription of 106,162,824 Rights Shares by non-controlling shareholders of Hon Kwok.

Furthermore, pursuant to the Underwriting Agreement, an underwriting commission of HK\$5,732,792 is payable to the Company for acting as the underwriter for the Rights Issue, which is credited to the income statement.

The subscription principal of HK\$648,386,370 is to be paid by the Company as to HK\$356,013,953, net of the underwriting commission of HK\$5,732,792, which is financed by interest-bearing bank borrowings of the Company, and by non-controlling shareholders of Hon Kwok as to HK\$286,639,625.

- (3) The adjustments reflect the net cash proceeds received by Hon Kwok, being subscription principal of HK\$648,386,370, net of legal and professional fees of approximately HK\$7,316,000, of which underwriting commission of HK\$5,732,792 is net against share premium of Hon Kwok, and the remaining HK\$1,583,208 is charged to the income statement, and is allocated to the Company and non-controlling interests of Hon Kwok based on the respective shareholding of the Company and non-controlling interests of 55.79% and 44.21%.

The issuance of 240,143,100 Rights Shares of HK\$1 par value at a subscription price of HK\$2.7 each results in an increase in share capital of HK\$240,143,100, and share premium, net of the above-mentioned underwriting commission, of HK\$402,510,478.

- (4) The adjustments reflect the elimination of the Company's investment in Hon Kwok and Hon Kwok's incremental share capital and share premium. The underwriting commission paid by Hon Kwok to the Company is eliminated on consolidation.

- (5) The above is an illustrative and unaudited pro forma statement of assets and liabilities of the Group, which have been prepared on the basis of the notes set out above for the purpose of illustrating the effect of the Rights Issue, based on the scenario that (i) the Company accepts in full its assured entitlement of 133,980,276 Rights Shares under the Rights Issue; and (ii) all non-controlling shareholders of Hon Kwok accept in full their entitled 106,162,824 Rights Shares under the Rights Issue, as if it had taken place on 30 September 2013 for the unaudited pro forma consolidated assets and liabilities.

Upon completion of the Rights Issue, the number of shares to be underwritten, subscription principal payable by the Company, net assets acquired over the consideration paid will need to be recalculated based on the actual number of Rights Shares accepted by the non-controlling shareholders of Hon Kwok. The actual financial effects are expected to be different from the amounts shown in this pro forma statement of assets and liabilities.

- (6) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2013.

**2. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP
ASSUMING ACCEPTANCE AND UNDERWRITING BY THE COMPANY****A. Introduction**

The following is an illustrative and unaudited pro forma statement of assets and liabilities of the Group (“Unaudited Pro Forma Financial Information”), which have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Rights Issue, based on the scenario that only the Company takes up its provisional allotment under the Rights Issue, and is required to fulfill its obligations under the Underwriting Agreement, as if it had taken place on 30 September 2013.

The Unaudited Pro Forma Financial Information has been prepared based on the unaudited condensed consolidated financial information of the Group as at 30 September 2013 as set out in its interim report for the six months ended 30 September 2013, after giving effect to the pro forma adjustments described in the accompanying notes. Narrative descriptions of the pro forma adjustments that are (i) directly attributable to the transactions; (ii) expected to have a continuing impact on the Group; and (iii) factually supportable, are set out in the accompanying notes.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group upon completion of the Rights Issue, where applicable, or at any future dates.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

APPENDIX III	UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP UPON COMPLETION OF THE RIGHTS ISSUE
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B. Unaudited pro forma financial information as at 30 September 2013

	The Group HK\$'000 (Note 1)	Pro forma adjustments HK\$'000	Notes	Pro Forma Group HK\$'000
NON-CURRENT ASSETS				
Properties, plant and equipment	100,277			100,277
Prepaid land lease payments	12,284			12,284
Investment properties	6,955,343			6,955,343
Investments in associates	500,628			500,628
Investments in jointly-controlled entities	199			199
Deferred tax assets	252			252
Loans receivables	367			367
	<hr/>			<hr/>
Total non-current assets	7,569,350			7,569,350
	<hr/>			<hr/>
CURRENT ASSETS				
Inventories	6,726			6,726
Properties held for sale under development and completed properties held for sale	2,359,695			2,359,695
Prepaid land lease payments	1,288			1,288
Equity investments at fair value through profit or loss	62,821			62,821
Trade and bills receivables	20,895			20,895
Prepayments, deposits and other receivables	73,039			73,039
Amounts due from a related company	496			496
Taxation recoverable	374			374
Pledged deposits	120,110			120,110
Cash and cash equivalents	631,665	641,070	3	1,272,735
	<hr/>			<hr/>
Total current assets	3,277,109			3,918,179
	<hr/>			<hr/>
CURRENT LIABILITIES				
Trade payables and accrued liabilities	106,930			106,930
Customer deposits	130,369			130,369
Tax Payable	82,180			82,180
Interest-bearing bank borrowings	2,201,416	342,653	2	2,544,069
	<hr/>			<hr/>
Total current liabilities	2,520,895			2,863,548
	<hr/>			<hr/>
NET CURRENT ASSETS	756,214			1,054,631
	<hr/>			<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES	8,325,564			8,623,981
	<hr/>			<hr/>
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings	2,103,280	300,000	2	2,403,280
Deferred tax liabilities	426,086			426,086
	<hr/>			<hr/>
Total non-current liabilities	2,529,366			2,829,366
	<hr/>			<hr/>
Net assets	5,796,198			5,794,615
	<hr/> <hr/>			<hr/> <hr/>

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE GROUP UPON COMPLETION OF THE RIGHTS ISSUE**

	The Group HK\$'000 (Note 1)	Pro forma adjustments HK\$'000	<i>Notes</i>	Pro Forma Group HK\$'000
EQUITY				
Equity attributable to owners of the Company				
Issued capital	137,842	–		137,842
		240,143	3	
		(240,143)	4	
Reserves	3,042,764	586,640		3,629,404
		5,733	2	
		402,510	3	
		(1,117)	3	
		(402,510)	4	
		(5,733)	4	
		587,757	5	
	3,180,606			3,767,246
Non-controlling interests	2,615,592	(588,223)		2,027,369
		(466)	3	
		(587,757)	5	
Total equity	<u>5,796,198</u>			<u>5,794,615</u>

Notes:

- (1) The balances are extracted from the unaudited financial information of the Group as at 30 September 2013 as set out in the interim report of the Company for the six months ended 30 September 2013.
- (2) The adjustments represent the subscription of 240,143,100 Rights Shares for a subscription price of HK\$2.7 each, with total principal amount of HK\$648,386,370. The subscription comprises: (i) subscription of 133,980,276 Rights Shares on the basis that the Company beneficially owning 267,960,553 Hon Kwok Shares on the Record Date; and (ii) subscription of 106,162,824 Rights Shares by the Company based on the assumption that all such Rights Shares are not taken up and pursuant to the Underwriting Agreement entered into between the Company and Hon Kwok, under which the Company has agreed to fully underwrite such Rights Shares.

Furthermore, pursuant to the Underwriting Agreement, an underwriting commission of HK\$5,732,792 is payable to the Company for acting as the underwriter for the Rights Issue, which is credited to the income statement.

The subscription principal paid by the Company of HK\$648,386,370, net of the underwriting commission of HK\$5,732,792, is financed by interest-bearing bank borrowings of HK\$642,653,578.

- (3) The adjustments reflect the net cash proceeds received by Hon Kwok, being subscription principal of HK\$648,386,370, net of legal and professional fees of approximately HK\$7,316,000, of which underwriting commission of HK\$5,732,792 is net against share premium of Hon Kwok, and the remaining HK\$1,583,208 is charged to the income statement, and is allocated to the Company and non-controlling interests of Hon Kwok based on the respective shareholding of the Company and non-controlling interests of 70.53% and 29.47%, being the Company and non-controlling shareholders of Hon Kwok beneficially owning 508,103,653 and 212,325,648 Hon Kwok Shares, respectively, immediately after the Rights Issue, pursuant to note (2) above.

The issuance of 240,143,100 Rights Shares of HK\$1 par value at a subscription price of HK\$2.7 each results in an increase in share capital of HK\$240,143,100, and share premium, net of the above-mentioned underwriting commission, of HK\$402,510,478.

- (4) The adjustments reflect the elimination of the Company's investment in Hon Kwok and Hon Kwok's incremental share capital and share premium. The underwriting commission paid by Hon Kwok to the Company is eliminated on consolidation.
- (5) In accordance with HKFRS 10, an acquisition of non-controlling interests without changes in control is accounted for as an equity transaction, and thus, the net assets value acquired over the consideration paid, being HK\$587,757,000, is credited to equity.
- (6) The above is an illustrative and unaudited pro forma statement assets and liabilities of the Group, which have been prepared on the basis of the notes set out above for the purpose of illustrating the effect of the Rights Issue, based on the scenario that (i) the Company accepts in full its assured entitlement of 133,980,276 Rights Shares under the Rights Issue; and (ii) all non-controlling shareholders of Hon Kwok do not accept their entitled 106,162,824 Rights Shares under the Rights Issue, and are fully underwritten by the Company, as if it had taken place on 30 September 2013 for the unaudited pro forma consolidated assets and liabilities.

Upon completion of the Rights Issue, the number of shares to be underwritten, subscription principal payable by the Company, net assets acquired over the consideration paid will need to be recalculated based on the actual number of Rights Shares accepted by the non-controlling shareholders of Hon Kwok. The actual financial effects are expected to be different from the amounts shown in this pro forma statement of assets and liabilities.

- (7) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2013.

3. LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of the report dated 24 December 2013, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Ernst & Young, in respect of the unaudited pro forma financial information of the Group upon completion of the Rights Issue



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1 Tim Mei Avenue
Central, Hong Kong

The Board of Directors
Chinney Investments, Limited
23rd Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the Directors of Chinney Investments, Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Chinney Investments, Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma statement of assets and liabilities as at 30 September 2013, and related notes as set out on pages 20 to 27 of the circular issued by the Company dated 24 December 2013 (the "Circular") (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described on pages 20 to 27 of the Circular.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of acceptance of assured entitlement under the Rights Issue and the entering into of the Underwriting Agreement as defined in the Circular on the Group's financial position as at 30 September 2013 as if the transaction had taken place at 30 September 2013. As part of this process, information about the Group's unaudited consolidated financial position has been extracted by the Directors from the Group's financial statements for the period ended 30 September 2013, on which no audit or review report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountant's responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and

perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Ernst & Young

Certified Public Accountants

Hong Kong

24 December 2013

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests

As at the Latest Practicable Date, the interests and short positions of the Directors in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) to be entered in the register maintained by the Company pursuant to Section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules, were as follows:

(i) Directors' interests in the Shares

Name of director	Notes	Capacity and nature of interest	Number of Shares held	Percentage of the Company's issued share capital
James Sai-Wing Wong	1&2	Through controlled corporation	331,795,324	60.18
Madeline May-Lung Wong	1&2	Through controlled corporation	331,795,324	60.18
William Chung-Yue Fan	1	Beneficially owned	1,882,285	0.34

(ii) *Directors' interests in the ordinary shares of associated corporations of the Company*

Name of director	Notes	Name of associated corporation	Capacity and nature of interest	Number of ordinary shares/amount of paid-up registered capital held	Percentage of the associated corporation's issued share capital/paid up registered capital
James Sai-Wing Wong	1 & 3	Hon Kwok	Through controlled corporation	267,960,553	55.79
	1 & 4	Guangzhou Honkwok Fuqiang Land Development Ltd.	Through controlled corporation	RMB185,000,000	100.00
	1 & 7	Chinney Trading Company Limited ("Chinney Trading")	Through controlled corporation	10,400	80.00
	1 & 5	Chinney Alliance	Through controlled corporation	433,500,216	72.87
	1 & 6	Chinney Holdings	Through controlled corporation	9,900,000	99.00
	1	Chinney Holdings	Beneficially owned	100,000	1.00
	1	Lucky Year Finance Limited ("Lucky Year")	Beneficially owned	10,000	50.00
Madeline May-Lung Wong	1 & 3	Hon Kwok	Through controlled corporation	267,960,553	55.79
	1 & 5	Chinney Alliance	Through controlled corporation	173,093,695	29.10
	1 & 6	Chinney Holdings	Through controlled corporation	9,900,000	99.00
	1	Lucky Year	Beneficially owned	10,000	50.00
Herman Man-Hei Fung	1	Hon Kwok	Beneficially owned	220,000	0.05

Notes:

1. All the interests stated above represent long positions.
2. These Shares are beneficially held by Chinney Holdings, which is a subsidiary of Lucky Year. James Sai-Wing Wong and Madeline May-Lung Wong are directors of Lucky Year and beneficially own more than one-third of the equity capital of Lucky Year.
3. These shares are beneficially held by the Company. By virtue of note 2, James Sai-Wing Wong and Madeline May-Lung Wong are deemed to be interested in these shares.
4. Out of the RMB185,000,000 paid-up registered capital, RMB111,000,000 is held by a wholly-owned subsidiary of Hon Kwok and RMB74,000,000 is held by a company controlled by James Sai-Wing Wong. By virtue of note 3, James Sai-Wing Wong is deemed to be interested in this company.
5. Out of the 433,500,216 shares, 173,093,695 shares are held by a wholly-owned subsidiary of the Company and the remaining 260,406,521 shares are held by companies controlled by James Sai-Wing Wong. By virtue of note 2, James Sai-Wing Wong is deemed to be interested in these shares.
6. These shares are beneficially held by Lucky Year. By virtue of note 2, James Sai-Wing Wong and Madeline May-Lung Wong are deemed to be interested in these shares.
7. Out of the 10,400 shares, 2,600 shares are held by a wholly-owned subsidiary of Hon Kwok and the remaining 7,800 shares are held by a company controlled by James Sai-Wing Wong. By virtue of note 3, James Sai-Wing Wong is deemed to be interested in this company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) to be entered in the register maintained by the Company pursuant to Section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

(b) Substantial shareholders' interests

As at the Latest Practicable Date and so far as was known to the Directors, the following persons (not being the Directors) had or were deemed or taken to have interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	<i>Notes</i>	Capacity and nature of interest	Number of Shares held	Percentage of the Company's issued share capital
Chinney Holdings	<i>1&2</i>	Directly beneficially owned	331,795,324	60.18
Lucky Year	<i>1&2</i>	Through controlled corporation	331,795,324	60.18

Notes:

1. All the interests stated above represent long positions. Chinney Holdings and Lucky Year are deemed to be interested in the same parcel of Shares by virtue of Section 316 of the SFO.
2. James Sai-Wing Wong, Madeline May-Lung Wong, Herman Man-Hei Fung and James Sing-Wai Wong, all being the Directors, are also directors of Chinney Holdings and Lucky Year.

As at the Latest Practicable Date and so far as was known to the Directors, the following persons (not being the Directors) were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

Name of Shareholder	Name of member of the Group in which interest held	Approximate percentage of equity interested
Sharp Billion Development Limited	Guangzhou Honkwok Fuqiang Land Development Ltd.	40
Guangzhou Hengsheng Group Co., Ltd.	Guangzhou Honkwok Hengsheng Land Development Ltd.	25

Save as disclosed above, the Directors were not aware that there was any person (not being the Director) who, as at the Latest Practicable Date, had or was deemed or taken to have an interest or short position in the Shares and underlying shares of the Company which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any member of the Group or had any option in respect of such capital.

3. COMPETING INTERESTS OF DIRECTORS AND ASSOCIATES

James Sai-Wing Wong, Chairman of the Company, has deemed interests and holds directorships in companies engaged in the businesses of property investment and garment merchandising and trading, and Madeline May-Lung Wong is a director of HKR International Limited, whose group's businesses consist of property development and property investment. In this respect, James Sai-Wing Wong and Madeline May-Lung Wong are regarded as being interested in businesses which might compete with the Group.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their respective associates had any personal interests in companies engaged in businesses, which compete or may compete with the Group.

4. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS AND CONTRACTS

The Company entered into a management contract with Hon Kwok for the provision of general corporate management services. The contract is for an unspecified duration and may be terminated by either party by giving the other party two-month written notice. A management fee of HK\$9,000,000 was received from Hon Kwok for the year ended 31 March 2013. James Sai-Wing Wong and Madeline May-Lung Wong are directors of and have beneficial interests in Hon Kwok through their interests in the Company. Herman Man-Hei Fung is also a director of and has beneficial interests in Hon Kwok.

The Company entered into a management contract with Chinney Alliance for the provision of administration and general services. The contract is for an unspecified duration and may be terminated by either party by giving two-month written notice to each other. A management fee of HK\$3,000,000 from Chinney Alliance was received for the year ended 31 March 2013. James Sai-Wing Wong and Herman Man-Hei Fung are directors of Chinney Alliance. James Sai-Wing Wong and Madeline May-Lung Wong have beneficial interests in Chinney Alliance.

So far as the Directors are aware and, save as disclosed as aforesaid, as at the Latest Practicable Date:

- (a) none of the Directors had any material direct or indirect interest in any assets which have since 31 March 2013 (being the date to which the latest published audited accounts of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) none of the Directors was materially interested in any contract or arrangement subsisting which was significant in relation to the business of the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which will not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

6. EXPERTS AND CONSENTS

The following is the qualifications of the experts who have given opinion and advice, which is contained in this circular:

Name	Qualification
Ernst & Young (“E&Y”)	Certified Public Accountants

As at the Latest Practicable Date, E&Y (i) had no shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group; (ii) had no direct or indirect interest in any assets which had been, since 31 March 2013 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group; and (iii) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the reference to its name included herein in the form and context in which it appears.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or claims of material importance and, so far as the Directors are aware, there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any member of the Group.

8. MATERIAL CONTACTS

Within the two years immediately preceding the date of this circular and ending on the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Group which are or may be material:

- (a) the Underwriting Agreement;
- (b) the Undertaking;
- (c) the agreement dated 28 August 2013 entered into between Chinney Treasury Limited, a wholly-owned subsidiary of the Company, as borrower, and a syndicate of banks in relation to transferable term and revolving loan facilities of HK\$500 million for a term of 48 months;

- (d) the agreement dated 31 December 2012 entered into between Lindeteves Jacoberg (China) Limited, an indirect wholly-owned subsidiary of Chinney Alliance, as vendor, and China Parking Limited, an indirect wholly-owned subsidiary of Hon Kwok, as purchaser, for the acquisition of a property located at 中華人民共和國廣東省深圳市龍崗區植物園綠色山莊S幢別墅 (House S, Green Mountain Village, Longgang Botanical Garden, Longgang, Shenzhen, Guangdong Province, the PRC) at a consideration of approximately HK\$9.38 million;
- (e) the subscription agreement dated 18 September 2012 entered into amongst Chinney Trading, Bliss Ally Investments Limited (“Bliss Ally”), an indirect wholly-owned subsidiary of Hon Kwok, Chinney Development Company Limited, a company beneficially owned by James Sai-Wing Wong, and Wan Thai Group Limited, an independent third party, pursuant to which Bliss Ally agreed to subscribe for 2,600 new shares of HK\$100 each in the share capital of Chinney Trading, representing 20% of its enlarged issued share capital, at a cash consideration of HK\$368,537,000; and
- (f) the agreement dated 18 June 2012 entered into between Hon Kwok Treasury Limited, an indirect wholly-owned subsidiary of Hon Kwok, as borrower, and a syndicate of banks in relation to transferable term and revolving loan facilities of HK\$600 million for a term of 36 months.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours (Saturdays and public holidays excepted) at 23rd Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, up to and including, for 14 days from the date of this circular:

- (a) the memorandum and articles of association of the Company;
- (b) the report on the unaudited pro forma financial information of the Group upon completion of the Rights Issue, the text of which is set out in Appendix III to this circular;
- (c) the annual reports of the Company for the three financial years ended 31 March 2011, 2012 and 2013;
- (d) the interim report of the Company for the six months ended 30 September 2013;
- (e) the annual reports of Hon Kwok for the three financial years ended 31 March 2011, 2012 and 2013;
- (f) the interim report of Hon Kwok for the six months ended 30 September 2013;
- (g) the material contracts as referred to in the section headed “Material Contracts” in this appendix;

- (h) the written consent referred to in the section headed “Experts and Consents” in this appendix; and
- (i) this circular.

10. GENERAL INFORMATION

- (a) The secretary of the Company is Ms. Louisa Kai-Nor Siu, who holds a Bachelor’s Degree in Accountancy from the City University of Hong Kong and is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.
- (b) The share registrar of the Company is Tricor Tengis Limited of 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong.
- (c) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.