漢國置業有限公司
Hon Kwok Land Investment Company, Limited

(Incorporated in Hong Kong with limited liability)
(Stock Code: 160)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH, 2005

RESULTS

The directors (the "Directors") of Hon Kwok Land Investment Company, Limited (the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st March, 2005 together with comparative figures for the previous year as follows:

	Notes	2005 HK$'000	2004 HK$'000
Turnover		**176,212**	330,727
Cost of sales		**(129,277)**	(335,929)
Gross profit/(loss)		**46,935**	(5,202)
Other revenue	*3*	**8,747**	9,663
Administrative expenses		**(35,597)**	(28,756)
Other operating income/(expenses), net		**(3,553)**	189,386
Profit from operating activities	*4*	**16,532**	165,091
Finance costs	*5*	**(18,386)**	(29,285)
Gain on disposal of subsidiaries		**233,662**	–
Share of profits and losses of jointly-controlled entities	*6*	**4,267**	86,306
Write off of debts due from jointly-controlled entities	*6*	**(3,873)**	(84,488)
Profit before tax		**232,202**	137,624
Tax	*7*	**(1,902)**	(3,157)
Profit before minority interests		**230,300**	134,467
Minority interests		**(684)**	(52)
Net profit from ordinary activities attributable to shareholders		**229,616**	134,415
Dividend		**32,019**	24,014
Earnings per share	*8*		
Basic		**HK$0.57**	HK$0.43

Notes:

1. Basis of preparation

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting

Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st March, 2005 except for HK Interpretation 3 "Revenue – Pre-completion contracts for the sale of development properties". The early adoption of the interpretation has no impact on the Group's financial performance for the year ended 31st March, 2004 as there was no revenue arising from pre-completion contracts for the sale of any development properties entered into during the year ended 31st March, 2004. The Group has already commenced an assessment of the impact of other new HKFRSs but is not yet in a position to state the impact of these new HKFRSs on its results of operations and financial position.

2. Segment information

The Group is principally engaged in property development, property investment and property related activities. An analysis of the Group's turnover and results by business segments and turnover by geographical segments is as follows:

Business segments

	Property development		Property investment		Others		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**99,827**	266,742	**70,061**	58,076	**6,324**	5,909	**176,212**	330,727
Segment results	**(7,877)**	(34,317)	**46,839**	219,327	**4,541**	1,671	**43,503**	186,681
Interest income							**2,388**	2,595
Unallocated gains							**1,072**	1,983
Unallocated expenses							**(30,431)**	(26,168)
Profit from operating activities							**16,532**	165,091
Interest expenses							**(18,386)**	(29,230)
Amortisation of bond issue expenses							**–**	(55)
Gain on disposal of subsidiaries							**233,662**	–
Share of profits and losses of jointly-controlled entities	**4,175**	86,342	**–**	–	**92**	(36)	**4,267**	86,306
Write off of debts due from jointly-controlled entities	**(3,873)**	(84,488)	**–**	–	**–**	–	**(3,873)**	(84,488)
Profit before tax							**232,202**	137,624
Tax							**(1,902)**	(3,157)
Profit before minority interests							**230,300**	134,467
Minority interests							**(684)**	(52)
Net profit from ordinary activities attributable to shareholders							**229,616**	134,415

Geographical segments

	Hong Kong		Mainland China		Malaysia		Canada		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to external customers	**153,745**	281,120	**10,694**	3,058	**11,773**	11,151	**–**	35,398	**176,212**	330,727

3. Other revenue

	2005	2004
	HK$'000	*HK$'000*
Interest income from bank deposits	**2,152**	1,856
Interest income from mortgages	**232**	327
Other interest income	**4**	412
Other property management income	**4,152**	4,325
Others	**2,207**	2,743
	8,747	9,663

4. Profit from operating activities

Profit from operating activities is arrived at after charging:

	2005	2004
	HK$'000	*HK$'000*
Depreciation	**1,076**	1,522
Staff costs (including directors' emoluments)	**14,937**	13,188
and after crediting:		
Write back of impairment of properties under development	**–**	11,427
Surplus on revaluation of investment properties	**–**	184,155

5. Finance costs

	2005	2004
	HK$'000	*HK$'000*
Interest on:		
Bank loans wholly repayable within five years	**42,013**	39,099
Bank loans wholly repayable after five years	**977**	2,101
Convertible guaranteed bonds	**–**	1,417
Bank overdrafts	**20**	178
Other loans	**–**	3,047
	43,010	45,842
Less: Amounts capitalised under property development projects	**(24,624)**	(16,612)
	18,386	29,230
Other finance costs:		
Amortisation of bond issue expenses	**–**	199
Less: Amounts capitalised under property development projects	**–**	(144)
	–	55
Total finance costs	**18,386**	29,285

6. Share of profits and losses of jointly-controlled entities

	2005	2004
	HK$'000	*HK$'000*
Operating profit, net	**394**	1,818
Waiver of debts	**3,873**	84,488
	4,267	86,306

During the year, the Group and its joint venture partner wrote off the debts which were non-recoverable from jointly-controlled entities. The corresponding debit of HK$3,873,000 (2004: HK$84,488,000) was recognised as write off of debts due from jointly-controlled entities whilst the corresponding credit of HK$3,873,000 (2004: HK$84,488,000) was recognised as share of profits of jointly-controlled entities.

7. Tax

	2005	2004
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Tax charge for the year	**12**	18
Underprovision in prior years	**–**	140
Current – Elsewhere	**1,623**	2,949
Deferred	**102**	47
	1,737	3,154
Share of tax attributable to jointly-controlled entities	**165**	3
Total tax charge for the year	**1,902**	3,157

The Group companies provide for tax on the basis of their income for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes.

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

8. Earnings per share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders of HK$229,616,000 (2004: HK$134,415,000) and 400,238,501 (2004: weighted average of 309,115,000) ordinary shares in issue during the year.

Diluted earnings per share amounts for the years ended 31st March, 2005 and 2004 have not been disclosed, as there was no diluting event existing during the current year and the outstanding convertible guaranteed bonds had an anti-dilutive effect on the basic earnings per share in last year.

DIVIDEND

The Directors recommend the payment of a final dividend of 8 cents per share for the year ended 31st March, 2005 (2004: 6 cents) to shareholders whose names appear on the Company's register of members on 22nd September, 2005. It is expected that the dividend cheques will be despatched to shareholders on or before 29th September, 2005.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 16th September, 2005 to 22nd September, 2005 (both days inclusive), during which period no share transfers will be registered. In order to qualify for the final dividend, all transfers accompanied by relevant share certificates must be lodged with Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong by not later than 4:30 p.m. on 15th September, 2005.

PURCHASE, SALE OR REDEMPTION OF SHARES

There were no purchases, sales or redemptions by the Company or any of its subsidiaries of the Company's shares during the year ended 31st March, 2005.

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 controls. The audit committee has reviewed with the management and the external auditors the final results of the Group for the year ended 31st March, 2005.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company complied with the Code of Best Practice set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), which was in force prior to 1st January, 2005, throughout the accounting period covered by this announcement, except that the non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation at the annual general meeting of the Company in accordance with the Company's articles of association.

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 of all directors, the directors have complied with the required standard set out in the Model Code throughout the year ended 31st March, 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to HK$1,434 million as at 31st March, 2005 (2004: HK$1,590 million), of which approximately 9% of the debts were due and repayable within one year.

Total cash on hand was HK$354 million as at 31st March, 2005 (2004: HK$314 million). The Group had a total of HK$398 million committed but undrawn banking facilities at year end available for its working capital purpose.

Total shareholders' fund as at 31st March, 2005 was approximately HK$1,545 million (2004: HK$1,269 million). The increase was mainly due to the profit retained for the year and net surplus on revaluation of investment properties as at year end.

The gearing ratio of the Group, as measured by the net interest-bearing debts of approximately HK$1,080 million over the total shareholders' fund of approximately HK$1,545 million, was 70% as at 31st March, 2005 (2004: 101%).

Use of placement proceeds

In February 2004, the Company entered into a top-up share placement to place 66,700,000 new shares at a price of HK$1.65 per share. The placement was completed in March 2004 and generated net cash proceeds of HK$107 million for general working capital including land acquisition purpose. The Group utilised HK$22 million in prior year and applied the remaining proceeds of HK$85 million during the year for land acquisition purpose.

Funding and treasury policies

The Group adopts a prudent funding and treasury policy. 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 secured bank loans. Repayments of bank loans are scheduled to match asset lives and project completion dates. Borrowings are mainly denominated in Hong Kong dollars, Renminbi and Canadian dollars and bear interest at floating rates, except for the Renminbi loan facilities.

Foreign currency exposure is monitored closely by the management and hedged to the extent desirable. As at 31st March, 2005, 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 HK$1,770 million as at 31st March, 2005 were pledged to secure certain banking facilities of the Group.

Contingent liabilities

The tax dispute with the Inland Revenue Department in the amount of HK$2,959,000 was settled, with ruling in favour of the Group. The guarantee of HK$7,902,000 given in respect of a banking facility granted to a jointly-controlled entity was also discharged following repayment of the facility in full during the year.

Save for the above, there was no significant change to the contingent liabilities of the Group as disclosed in the annual report of the Group for the year ended 31st March, 2004.

Employees and remuneration policies

The Group employed approximately 170 employees as at 31st March, 2005. 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 Group also provides other benefits including medical cover, provident fund, personal accident insurance and educational subsidies to all eligible staff.

CONSOLIDATED RESULTS

The Group's profit attributable to shareholders for the year ended 31st March, 2005 amounted to HK$230 million, as compared with HK$134 million last year. The increase in profit was mainly attributable to the capital gain on disposal of a subsidiary in September 2004. Earnings per share were 57 cents (2004: 43 cents).

CORPORATE EVENT

As announced on 14th September, 2004, the Group entered into an agreement to dispose the entire issued share capital of Global Success Holdings Inc. ("Global Success" and together with its subsidiary, the "Global Success Group") and assign related shareholder's loans to an independent third party for a cash consideration of HK$566 million. The sole asset held by the Global Success Group was a piece of vacant land situated at 97 Po Kong Village Road, Diamond Hill, Kowloon (formerly the Heung To Middle School). The transaction fell beyond the ordinary course of business of the Group and thus constituted a very substantial disposal of the Company under the Listing Rules. Full details of the transaction are set out in the circular to the shareholders dated 30th September, 2004.

The transaction met the approval of the shareholders of the Company and Chinney Investments, Limited on 1st November, 2004 and was completed on 15th November, 2004. The disposal produced net cash proceeds of HK$400 million to the Group after discharge of all liabilities of the Global Success Group and the capital gain so recorded in the accounts for the year ended 31st March, 2005 was HK$234 million.

REVIEW OF OPERATIONS

Property Development

Hong Kong

The Group has no property development projects in Hong Kong, following the disposal of the Heung To Middle School project in September 2004. Sales of unsold units from projects completed in the past amounted to HK$89 million in the year (2004: HK$231 million).

Mainland China

Construction work for **City Square** (**城市天地廣場**), a development comprising six towers of 2,262 units erected on an 8-storey commercial podium in the Luo Hu District of Shenzhen, was completed with the occupation permit issued in June 2005. The Group has launched four residential towers for pre-sale since June 2004, of which about 55% has been sold for aggregate sales proceeds of approximately RMB470 million.

Earlier in the year, the Group adopted the new accounting interpretation for the recognition of revenue from pre-sale of properties. Revenue from pre-sales will be recognised in the year when the project has been completed and the relevant occupation permit has been issued. As a result, turnover and profit arising from pre-sale of **City Square** (**城市天地廣場**) have been excluded from the accounts for the year ended 31st March, 2005.

The Group took active steps to develop its landbank in Guangzhou. The major acquisitions during the year were:

Location	Usage	Gross Floor Area (square feet)
Dongguanzhuan Dongguanzhuan Road Tianhe District	Residential	2,990,000
Lon Don Cian Guangshan Road Western Tianhe District	Residential	2,449,000
		5,439,000

The residential project at Lon Don Cian will be developed in phases. Construction work for Phase I comprising eight residential towers has been progressed to the superstructure stage. It is expected that the residential units will be launched to the market during the coming fiscal year. The site at Dongguanzhuan is at planning stage and will be held as landbank for future development.

Canada

Construction work for Phase I of our Toronto project has been progressed to the superstructure stage. The 19-storey residential tower of 526 units is scheduled for completion in July 2006. As of today, approximately 400 units have been pre-sold with total sales proceeds of about CAD 90 million.

Property investment

Hong Kong

Gross rental income for the year amounted to HK$58 million, as compared with HK$47 million last year. The office leasing market was strong with tenants seeking space for expansion. As a result, we have seen occupancy and rental rates picking up for our office premises in Tsimshatsui and Sheung Wan. With increasing tourists and business visitors coming to Hong Kong, our serviced apartments at the **Bauhinia** (**寶軒**) have been enjoying occupancy of more than 90% throughout the year and despite increases in our room rates.

Malaysia

Plaza Ampang, our commercial complex at Kuala Lumpur, maintained an average occupancy of about 70%. Rental income was HK$12 million for the year (2004: HK$11 million).

Property revaluation

The Group annually revalues its investment properties to their year-end open market values. Under the Group's accounting policy, the current year's revaluation surplus of HK$59 million was dealt with as movements in the investment property revaluation reserve.

Last year, the Group recorded a revaluation surplus of HK$191 million. Of this, a surplus of HK$184 million was credited to the profit and loss account to the extent of the deficit previously charged, with the remaining sum of HK$7 million being credited to the investment property revaluation reserve.

OVERVIEW

The Hong Kong economy continued to improve during the year under review. The economy expanded with a GDP growth of 6% year-by-year in the first quarter of 2005. Unemployment rate was 5.7%, down from the peak of 8.7% in July 2003, coupled with mild inflation of 0.8% in May 2005. All these indicated that the economy was picking up at a healthy pace. The recent lifts in interest rates have cooled off market sentiment slightly but the local economy remains favorable with revived confidence in the Hong Kong SAR Government after Mr. Donald Tsang was elected as the Chief Executive for the remaining 2-year term and the sustained economic growth in Mainland China. Your Group with its investment properties located in prime areas stands to benefit from continued appreciation in rental income and capital values, as the local economy continues its growth momentum.

The Mainland Government recently announced a number of administrative measures to rein in prices and property activities, which have been driven significantly upwards by the latent demand arising from economic development in Mainland China as well as hot money speculating revaluation of the Renminbi. Your Group with its business focus in Guangzhou and Shenzhen is least affected by the anti-speculative measures, as property speculation over there is relatively small when compared with that in Beijing and Shanghai. Your Group therefore remains optimistic on the Mainland property market in view of the continued economic growth in the Mainland, the rise of the middle-income families and their desire to upgrade their living standards as wealth increases. Guangzhou, the third largest economy in the Mainland after Beijing and Shanghai but with property values comparatively lagged behind, comes out as the strategic choice for the Group to increase its development activities in Mainland China.

PUBLICATION OF DETAILED ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Listing Rules (in force prior to 31st March, 2004, which remain applicable to results announcement in respect of accounting periods commencing before 1st July, 2004 under the transitional arrangements) will be published on the Stock Exchange's website in due course.

By Order of the Board
James Sai-Wing Wong
Chairman

Hong Kong, 13th July, 2005

As at the date hereof, the board of directors of the Company comprises Mr. James Sai-Wing Wong, Ms. Madeline May-Lung Wong, Mr. William Chung-Yue Fan, Mr. Herman Man-Hei Fung, Mr. Zuric Yuen-Keung Chan, Mr. Daniel Chi-Wai Tse, Mr. Patrick Yen-Tse Tsai and Mr. Kenneth Kin-Hing Lam.

"Please also refer to the published version of this announcement in The Standard"