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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2005

RESULTS

The directors (the "Directors") of Hon Kwok Land Investment Company, Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2005 together with comparative figures for the corresponding period in the prior year as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Six months ended 30th September,	
		2005	2004
		(Unaudited)	(Unaudited and restated)
	Notes	***HK$'000***	*HK$'000*
Turnover	*2*	**648,910**	119,148
Cost of sales		**(482,102)**	(93,155)
Gross profit		**166,808**	25,993
Other revenue	*3*	**4,078**	5,158
Administrative expenses		**(15,090)**	(15,401)
Other operating expenses		**(1,827)**	(2,013)
Finance costs	*4*	**(22,310)**	(8,337)
Share of profits and losses of jointly-controlled entities	*5*	**153**	3,888
Write off of debt due from a jointly-controlled entity		**–**	(3,873)
Profit before tax	*6*	**131,812**	5,415
Tax	*7*	**(19,171)**	(1,880)
Profit for the period		**112,641**	3,535
Attributable to:			
Equity holders of the parent		**91,301**	2,660
Minority interests		**21,340**	875
		112,641	3,535
Earnings per share	*8*		
Basic		**22.81 cents**	0.66 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	As at 30th September, 2005 (Unaudited) HK$'000	As at 31st March, 2005 (Audited and restated) HK$'000
NON-CURRENT ASSETS		
Fixed assets	**7,769**	4,391
Properties under development	**770,949**	548,730
Investment properties	**1,327,000**	1,327,000
Interests in jointly-controlled entities	**28,761**	27,210
Interest in an associate	**–**	14,857
Investments	**73,595**	50,563
	2,208,074	1,972,751
CURRENT ASSETS		
Prepaid tax	**129**	404
Properties held for sale	**1,258,168**	1,108,460
Prepayments, deposits and other receivables	**214,177**	96,803
Amounts due from jointly-controlled entities	**5,960**	5,928
Loans to minority interests	**85,632**	39,747
Pledged time deposits	**39,000**	62,800
Time deposits	**–**	100,177
Cash and bank balances	**190,052**	190,897
	1,793,118	1,605,216
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**171,648**	78,561
Loans from minority interests	**34,812**	–
Amounts due to related companies	**31,637**	1,970
Customer deposits	**120,759**	307,637
Tax payable	**18,174**	1,833
Interest-bearing bank borrowings	**696,409**	131,745
	1,073,439	521,746
NET CURRENT ASSETS	**719,679**	1,083,470
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,927,753**	3,056,221
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**1,036,581**	1,302,254
Loans from minority interests	**33,715**	53,720
Deferred tax	**4,419**	4,109
	1,074,715	1,360,083
	1,853,038	1,696,138
CAPITAL AND RESERVES		
Equity attributable to equity holders of the parent		
Issued capital	**400,239**	400,239
Reserves	**1,227,498**	1,141,938
	1,627,737	1,542,177
Minority interests	**225,301**	153,961
	1,853,038	1,696,138

Notes:

1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements are prepared in accordance with the requirements of the Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31st March, 2005, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HK(SIC) – Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets

i. The adoption of the HKAS 1, 2, 7, 8, 10, 12, 16, 17, 18, 19, 21, 23, 24, 27, 28, 32, 33, 36, 37, 39, HKFRS 3 and HKFRS 5 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interests, share of net after-tax results of jointly-controlled entities and other disclosures.

- HKAS 2, 7, 8, 10, 12, 16, 17, 18, 19, 21, 23, 27, 28, 32, 33, 36, 37, 39 and HKFRS 3 had no material effect on the Group's policies.

- HKAS 24 has affected the identification of related parties and some other related-party disclosures.

- HKFRS 5 has affected the identification of non-current assets held for sale.

The impact of adopting the other HKFRSs is summarised as follows:

a. HKAS 40 – Investment Property

In prior periods, changes in the fair values of investment properties were dealt with as movements in the investment property revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the profit and loss account. Any subsequent revaluation surplus was credited to the profit and loss account to the extent of the deficit previously charged.

Upon the adoption of HKAS 40, gains or losses arising from changes in fair values of investment properties are included in the profit and loss account in the period in which they arise.

The Directors considered not meaningful to revalue all investment properties at each interim period end, as there could be significant ups and downs on the capital value of properties over a financial year, which ends up a high volatility of earnings in the income statement. So, the Group will follow the existing policy to assess the fair value of the investment properties at 31st March, 2006 and at each subsequent year end.

The Group has taken advantage of the transitional provisions of HKAS 40 to adjust the effect of adopting the standard to the opening balance of retained earnings rather than restating the comparative amounts to reflect the changes retrospectively for the earlier period presented in the condensed consolidated financial statements.

The adoption of HKAS 40 has resulted in an increase in the Group's retained earnings by HK$62,635,000 and a corresponding decrease in the Group's investment property revaluation reserve as at 1st April, 2005.

b. HK(SIC) – Int 21 – Income Taxes – Recovery of Revalued Non-depreciable Assets

In prior periods, deferred tax arising on the revaluation of investment properties was recognised based on the tax rate that would be applicable upon the sale of the investment properties.

Upon the adoption of HK(SIC) – Int 21, deferred tax arising on the revaluation of the Group's investment properties is determined depending on whether the properties will be recovered through use or through sale. The Group has determined that its investment properties will be recovered through use, and accordingly the profits tax rate has been applied to the calculation of deferred tax.

The adoption of HK(SIC) – Int 21 has resulted in an increase in the Group's deferred tax liabilities as at 30th September, 2005 and 31st March, 2005 by HK$2,935,000 and HK$2,625,000 respectively. As a consequence, the consolidated net profit attributable to equity holders of the parent for the periods ended 30th September, 2005 and 2004 have been impacted by an additional charge of HK$310,000 and HK$nil respectively and the investment property revaluation reserve as at 1st April, 2005 and 2004 have been decreased by HK$2,625,000 and HK$5,088,000 respectively.

ii. As disclosed in the Group's financial statements for the year ended 31st March, 2005, the Group has early adopted HK Interpretation 3 – "Revenue – Pre-completion contracts for the sale of development properties" ("HK Int 3") in the financial statements for the year ended 31st March, 2005. The Group has retrospectively applied HK Int 3 to pre-completion contracts for the sale of development properties entered into before 1st January, 2005.

HK Int 3 was re-issued in May 2005 after the Group published its unaudited condensed consolidated interim financial statements for the six months ended 30th September, 2004 and accordingly, the Group's profits arising on the pre-completion contracts for the sale of development properties for the six months ended 30th September, 2004 as previously reported, was recognised over the course of the development and was calculated on each project as a proportion of the total estimated profit to completion, after taking into account further costs to completion. The proportion used was the estimated construction costs of pre-sold units over the total estimated construction costs of the development properties. The profit per pre-sold unit so recognised was restricted to the amount of instalments received and receivable under legally binding contracts at the balance sheet date.

Upon the adoption of HK Int 3, revenue is to be recognised only when all of the criteria specified in paragraph 14 of HKAS 18 are met.

As a consequence, the early adoption of HK Int 3 impacted the Group's result for the period ended 30th September 2004 as previously reported, and resulted in a reduction of turnover and profit attributable to equity holders of the parent by HK$49,944,000 and HK$7,541,000 respectively. The comparative amounts had been restated accordingly.

2. Segment information

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

Business segments

	Property development Six months ended 30th September,		**Property investment Six months ended 30th September,**		**Others Six months ended 30th September,**		**Consolidated Six months ended 30th September,**	
	2005 (Unaudited)	2004 (Unaudited and restated)	**2005 (Unaudited)**	2004 (Unaudited)	**2005 (Unaudited)**	2004 (Unaudited)	**2005 (Unaudited)**	2004 (Unaudited and restated)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**609,195**	80,532	**37,589**	34,599	**2,126**	4,017	**648,910**	119,148
Segment results	**138,132**	(3,285)	**24,559**	23,712	**1,351**	3,205	**164,042**	23,632
Interest income							**1,201**	1,966
Unallocated gains							**277**	197
Unallocated expenses							**(11,551)**	(12,058)
Interest expenses							**(22,310)**	(8,337)
Share of profits and losses of jointly-controlled entities	**161**	3,873	**–**	–	**(8)**	15	**153**	3,888
Write off of debt due from a jointly-controlled entity	**–**	(3,873)	**–**	–	**–**	–	**–**	(3,873)
Profit before tax							**131,812**	5,415
Tax							**(19,171)**	(1,880)
Profit for the period							**112,641**	3,535

Geographical segments

	Hong Kong Six months ended 30th September,		Mainland China Six months ended 30th September,		Malaysia Six months ended 30th September,		Consolidated Six months ended 30th September,	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited and restated)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited and restated)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**78,968**	101,760	**564,515**	11,355	**5,427**	6,033	**648,910**	119,148

3. Other revenue

	Six months ended 30th September,	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income from bank deposits	**1,118**	1,836
Interest income from mortgages	**83**	130
Other property management income	**1,804**	2,372
Others	**1,073**	820
	4,078	5,158

4. Finance costs

	Six months ended 30th September,	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on:		
Bank loans wholly repayable within five years	**33,801**	19,453
Bank loans wholly repayable after five years	**1,354**	708
Other loans	**563**	–
Bank overdrafts	**83**	16
	35,801	20,177
Less: Amounts capitalised under property development projects	**(13,491)**	(11,840)
	22,310	8,337

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

	Six months ended 30th September,	
	2005	2004
	(Unaudited)	(Unaudited and restated)
	HK$'000	*HK$'000*
Operating profit, net	**153**	15
Waiver of debts	**–**	3,873
	153	3,888

In prior period, the Group and its joint venture partner wrote off the debts which were non-recoverable from a jointly-controlled entity. The corresponding debit of HK$3,873,000 was recognised as write off of debt due from a jointly-controlled entity whilst the corresponding credit of HK$3,873,000 was recognised as share of profits of jointly-controlled entities.

6. **Profit before tax**

Profit before tax is arrived at after charging:

	Six months ended 30th September,	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**549**	555
Staff costs (including directors' emoluments)	**7,217**	6,829

7. **Tax**

	Six months ended 30th September,	
	2005	2004
	(Unaudited)	(Unaudited and restated)
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Tax (credit)/charge for the period	**(2)**	13
Current – Elsewhere	**18,863**	1,880
Deferred	**310**	(13)
	19,171	1,880

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 period. 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.

There is no share of tax attributable to jointly-controlled entities included in note 5 "Share of profits and losses of jointly-controlled entities" (2004: share of tax charge of HK$165,000).

8. **Earnings per share**

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the parent of HK$91,301,000 (2004 (restated): HK$2,660,000) and 400,238,501 (2004: 400,238,501) ordinary shares in issue during the period.

Diluted earnings per share amounts for the periods ended 30th September, 2005 and 2004 have not been disclosed, as there was no diluting event existing during these periods.

9. **Comparative amounts**

As explained in note 1, due to the adoption of new and revised HKFRSs during the current period, the presentation of certain items and balances in the condensed consolidated financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current period's presentation.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2005 (2004: nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30th September, 2005, there were no purchases, sales or redemptions by the Company or any of its subsidiaries of the Company's shares.

CORPORATE GOVERNANCE

Compliance with Model Code for Securities Transactions By Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct for directors' securities transactions. Having made specific enquiry of all directors, the directors have complied with the required standard set out in the Model Code during the six months ended 30th September, 2005.

Compliance with Code on Corporate Governance Practices

In the opinion of the directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules for the six months ended 30th September, 2005, except for the CG Code provision C.2 on internal controls (which is applicable to the accounting periods commencing on or after 1st July, 2005) and the following deviations:

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

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

2. CG Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election. However, all the existing non-executive directors of the Company are not appointed for specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the articles of association of the Company. The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

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

   According to the provisions of the articles of association of the Company, (a) any director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting of the Company and shall be eligible for re-election; (b) at each annual general meeting, one-third of the directors for the time being or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office, provided that no director holding office as executive chairman or as a managing director shall be subject to retirement by rotation or taken into account in determining the number of directors to retire.

   The Board will ensure the retirement of each director, other than the one who holds the office as chairman, by rotation at least once every three years in order to comply with the CG Code provisions. The Board considered that the continuity of office of the chairman provides the Group a strong and consistent leadership and is of great importance to the smooth operations of the Group.

4. CG Code provision A.5.4 stipulates that the Board should establish written guidelines on no less exacting terms than the Model Code for relevant employees in respect of their dealing in the securities of the issuer.

   A Code for Securities Transactions for Relevant Employees which is on no less exacting terms than the Model Code has been adopted by the Board on 16th December, 2005.

5. CG Code provision B.1.3 stipulates that the terms of reference of the remuneration committee should include, as minimum, those specific duties as set out in the CG Code provisions. The Company has adopted the terms of reference of the remuneration committee on 16th December, 2005 with certain deviation from the CG Code provisions. Pursuant to the terms of reference, the remuneration committee should review (as opposed to determine) and make recommendations to the Board on the remuneration packages of Executive Directors only but not senior management.

6. CG Code provisions B.1.4 and C.3.4 stipulate that the issuer should make available the terms of reference of its remuneration committee and audit committee on request and by including the information on the issuer's website.

   At present, the Company does not maintain a website. However, the terms of reference of the two committees are available from the Company Secretary on request.

Audit committee

Regular meetings have been held by the Audit Committee of the Company since its establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal control. The Company's interim results for the six months ended 30th September, 2005 has not been audited, but has been reviewed by the Audit Committee.

FINANCIAL REVIEW

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to HK$1,733 million as at 30th September, 2005 (as at 31st March, 2005: HK$1,434 million), of which approximately 40% of the debts were due and repayable within one year. The increase was mainly due to new bank loans being drawndown during the period to partially finance the acquisition of properties.

Total cash on hand was HK$229 million as at 30th September, 2005 (as at 31st March, 2005: HK$354 million). The Group had a total of HK$257 million committed but undrawn banking facilities at the period end available for its working capital purpose.

Total shareholders' fund as at 30th September, 2005 was approximately HK$1,628 million (as at 31st March, 2005 (restated): HK$1,542 million). The increase was mainly due to the profit retained for the period.

The gearing ratio of the Group, as measured by the net interest-bearing debts of approximately HK$1,504 million over the total shareholders' fund of approximately HK$1,628 million, was 92% as at 30th September, 2005 (as at 31st March, 2005: 70%).

Funding and treasury policies

There are no significant changes in the Group's funding and treasury policies. As at 30th September, 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$2,033 million as at 30th September, 2005 were pledged to secure certain banking facilities of the Group.

Contingent liabilities

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, 2005.

Employees and remuneration policies

The Group, not including its jointly-controlled entities, employed approximately 210 people as at 30th September, 2005. There have been no significant changes in the remuneration policies and benefits to the employees of the Group.

CONSOLIDATED RESULTS

The Group was profitable for the six months ended 30th September, 2005. The net profit after minority interests was HK$91 million (2004 (restated): HK$2.7 million) against increased turnover to HK$649 million (2004 (restated): HK$119 million) in the period.

City Square (城市天地廣場), our residential and commercial project in Shenzhen, the PRC, was completed with the occupation permit issued in June 2005. Turnover and profit deriving from pre-sale of the project since June 2004 were recognised in the first half of the year, which gave rise to the improved results.

REVIEW OF OPERATIONS

Property Development

Hong Kong

The Group sold all the remaining units in the Grandeur (采怡閣), a residential/commercial project in Causeway Bay. The two commercial floors and a residential unit were sold at a price of HK$44.7 million. Turnover from sale of unsold units of completed properties in the same period last year was HK$69 million.

Mainland China

City Square (城市天地廣場) was the main project under sale during the period. The 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 issue of an occupation permit in June 2005. In preparing the financial statements for the year ended 31st March, 2005, the Group early adopted the new accounting standard on recognition of turnover and profit arising from pre-sale of properties. Turnover and profit are now recognised in full only when the project has been completed. The early conformance to the new accounting standard has resulted in revenue of HK$50 million and net profit of HK$9 million previously recognised for pre-sale of City Square (城市天地廣場) in the first half of last year being booked in the first half of this year. As a result, prior year comparatives have been restated accordingly to reflect the change. Our sales activities in Mainland China contributed turnover of HK$565 million in the period (2004 (restated): HK$11 million).

In July 2005, the Group was successful in a public auction bid for a piece of vacant land with a site area of 4,817 square meters and a gross floor area of 46,494 square meters in the Liwan District of Guangzhou. The land use right was acquired for a consideration of RMB90.5 million. As announced on 21st October, 2005, the Group sold 50% interest of the land to a real estate fund for a consideration of about HK$45.7 million and entered into a joint venture arrangement with the fund to co-develop the land into a commercial/residential development. The consideration of HK$45.7 million, being negotiated on an arm's length basis, represented 50% of the cost incurred by the Group in acquiring the land. The disposal was completed on 28th October, 2005. Full details of the transaction are set out in the circular to the shareholders dated 14th November, 2005.

Canada

Construction works for Phase I of our Toronto project topped off and presently due for completion in June 2006. This project consists of a 16-storey residential tower of 525 residential units. Up to the date hereof, the Group has pre-sold more than 80% of the units with sales reaching CAD90 million.

Property Investment

Hong Kong

The office market in Hong Kong was in the up trend during the period, against the backdrop of continued economic growth and more overseas companies establishing their offices in Hong Kong. We have seen improved occupancies and increased rentals for our office properties in Sheung Wan and Tsimshatsui. Bauhinia (寶軒), our serviced apartment in Sheung Wan, continued to perform well. Room rates have been revised upwards in response to the favorable market situation while occupancy remained high exceeding 90%. Total rental income was HK$32.2 million in the period (2004: HK$28.6 million).

During the period, the Group purchased a portfolio of completed residential units in Kowloon with a total gross floor area of about 60,000 square feet for investment. The total purchase cost was HK$234 million, which translated into an average price of approximately HK$3,900 per square foot.

Malaysia

The commercial complex, Plaza Ampang, at Kuala Lumpur, Malaysia suffered a slight drop in occupancy from about 70% to about 65%. Rental income was HK$5.4 million in the period (2004: HK$6.0 million).

Property Revaluation

The Group's investment properties were stated at fair value of HK$1,327 million as at 31st March, 2005. The new accounting standard requires all investment properties be measured at fair value at each reporting period end in case an entity chooses the fair value model for its investment properties. The frequency of revaluation is in contrast to the present policy that all investment properties of the Group are revalued annually to their open market values at the end of each financial year. The Directors considered not meaningful to revalue all investment properties at each interim period end, as there could be significant ups and downs on the capital value of properties over a financial year, which ends up a high volatility of earnings in the income statement. So, the Group will follow the existing policy to assess the fair value of the investment properties at 31st March, 2006 and at each subsequent year end.

OVERVIEW

The Hong Kong economy continued to improve during the period under review. The economy expanded with a GDP growth of 8.2% year-by-year in October 2005. Unemployment rate was 5.3%, down from the peak of 8.7% in July 2003, coupled with an inflation of 1.8% in October 2005. In the past, there had been excessive savings amongst Hong Kong people for fear of prolonged deflation and rising unemployment. All such fears are now dissipating as the local economy is on its way to recovery since 2004. The rise in home prices has released many home-owners from negative equity, which greatly restored consumer confidence. It is generally believed that Hong Kong will continue to prosper under the continued economic growth of its motherland. The fundamentals of the Hong Kong economy remain good, which would provide ongoing momentum to the property market especially when interest rate is forecasted peaking out in the forthcoming year.

Across the border, the Mainland economy remains in high gear. Foreign investors kept entering into the real estate market, in anticipation of property price and currency appreciation. During the first three quarters of 2005, real estate investment in Mainland China went up by more than 20% year-by-year to RMB1,000 billion. As a result, the Central Government introduced further macro-economic measures to cool the otherwise over-heated property sector. Your Group based in the Southern China is least affected, as property prices over there were relatively stable and indeed lagged behind as compared with the Eastern China market. Foreign investors are eyeing more on properties in the Southern China, as they increasingly recognise the price disparity between the two regions and the potential of Guangzhou as the core of the Pan-Pearl River Delta Economic Region consisting of Hong Kong, Macau and the nine provinces in the Southern China. Your Group entered into a joint venture agreement with a real estate fund in October 2005 to co-develop a bare land in Guangzhou. The joint venture forms part of the strategy of the Group to introduce capable partners into our property projects in Mainland China, so as to build a large platform for the Group's property developments in the future.

James Sai-Wing Wong
Chairman

Hong Kong, 16th December, 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"