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, 2006

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, 2006 together with comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

		For the year ended 31st March	
		2006	2005 (Restated)
	Notes	***HK$'000***	*HK$'000*
Revenue	2	**1,059,427**	176,212
Cost of sales		**(736,109)**	(129,277)
Gross profit		**323,318**	46,935
Other income	3	**12,814**	8,747
Administration expenses		**(42,727)**	(35,597)
Other operating expenses		**(3,499)**	(3,553)
Fair value gains on investment properties, net		**243,657**	–
Change in fair value of completed properties transferred to investment properties		**220,661**	–
Finance costs	5	**(63,438)**	(18,386)
Gain on disposal of subsidiaries		**56,161**	233,662
Share of profits and losses of jointly-controlled entities	6	**219**	4,102
Write off of debts due from a jointly-controlled entity	6	**–**	(3,873)
Profit before tax		**747,166**	232,037
Tax	7	**(162,520)**	(1,737)
Profit for the year		**584,646**	230,300
Attributable to:			
Equity holders of the parent		**519,754**	229,616
Minority interests		**64,892**	684
		584,646	230,300
Dividend – proposed final		**44,026**	32,019
Earnings per share attributable to ordinary equity holders of the parent	8		
Basic		**HK$1.30**	HK$0.57

CONSOLIDATED BALANCE SHEET

		As at 31st March	
		2006	2005 (Restated)
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**23,540**	4,391
Properties under development		**1,209,884**	548,730
Investment properties		**1,971,631**	1,327,000
Interests in jointly-controlled entities		**29,357**	27,210
Interest in an associate		**–**	14,857
Available-for-sale equity investment/long term investment		**–**	50,563
Total non-current assets		**3,234,412**	1,972,751
CURRENT ASSETS			
Amounts due from jointly-controlled entities		**129,257**	5,928
Tax recoverable		**456**	404
Properties held for sale		**988,871**	1,108,460
Trade receivables	*9*	**127,346**	7,540
Prepayments, deposits and other receivables		**63,201**	89,263
Loans to minority interests		**86,114**	39,747
Pledged deposits		**40,200**	62,800
Cash and cash equivalents		**406,454**	291,074
Total current assets		**1,841,899**	1,605,216
CURRENT LIABILITIES			
Trade payables and accrued liabilities	*10*	**195,639**	78,561
Interest-bearing bank borrowings		**395,168**	131,745
Loans from minority interests		**76,674**	–
Amounts due to related companies		**2,478**	1,970
Customer deposits		**126,868**	307,637
Tax payable		**51,914**	1,833
Total current liabilities		**848,741**	521,746
NET CURRENT ASSETS		**993,158**	1,083,470
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,227,570**	3,056,221
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**1,775,807**	1,302,254
Loans from minority interests		**–**	53,720
Deferred tax liabilities		**103,446**	4,109
Total non-current liabilities		**1,879,253**	1,360,083
Net assets		**2,348,317**	1,696,138
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**400,239**	400,239
Reserves		**1,610,565**	1,109,919
Proposed final dividend		**44,026**	32,019
		2,054,830	1,542,177
Minority interests		**293,487**	153,961
Total equity		**2,348,317**	1,696,138

Notes:

1. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The following new and revised HKFRSs affect the Group and are adopted for the first time for the current year'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 14	Segment Reporting
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 31	Interests in Joint Ventures
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 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
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
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 2, 7, 8, 10, 12, 14, 16, 18, 19, 23, 27, 28, 31, 33, 37 and 38, HKFRSs 2 and 5 and HK-Int 4 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

HKAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures. In addition, in prior periods, the Group's share of tax attributable to jointly-controlled entities was presented as a component of the Group's total tax charge/(credit) in the consolidated income statement. Upon the adoption of HKAS 1, the Group's share of the post-acquisition results of jointly-controlled entities is presented net of the Group's share of tax attributable to jointly-controlled entities.

HKAS 21 had no material impact on the Group. As permitted by the transitional provisions of HKAS 21, goodwill arising in a business combination prior to 1st January, 2005 and fair value adjustments arising on that acquisition are deemed to be in the currency of the Company. In respect of acquisitions subsequent to 1st January, 2005, any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of the assets and liabilities are treated as assets and liabilities of the foreign operation and are translated at the closing rate in accordance with HKAS 21.

HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

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

(a) HKAS 17 – Leases

In prior years, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings should be separated into leasehold land and buildings and to be accounted for separately. Leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, while buildings continue to be classified as part of property, plant and equipment. In accordance with HKAS 17, since the Group's lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

In prior years, leasehold land held for property development purpose was included as part of the Group's properties under development. With the adoption of HKAS 17, leasehold land included in the Group's properties under development and held under operating leases, are stated at cost. There is no amortisation on the operating leases because the amortisation charges would be capitalised as part of the development costs. The leasehold land continues to be classified as part of the Group's properties under development. The directors consider that this is a fairer presentation of the Group's investments in property development projects.

The adoption of HKAS 17 has no effect on the consolidated income statement for the years ended 31st March, 2006 and 2005 and the consolidated balance sheet as at those dates.

(b) HKAS 32 and HKAS 39 – Financial Instruments

In prior years, the Group classified its investment in unlisted equity securities as long term investment, which was held for non-trading purposes and was stated at cost less any impairment losses. Upon the adoption of HKAS 39, this investment held by the Group at 1st April, 2005 in the amount of HK$50,563,000 was designated as an available-for-sale investment under the transitional provisions of HKAS 39. The adoption of HKAS 39 has not resulted in any change in the measurement of the investment in unlisted equity securities. The comparative amount has been reclassified for presentation purposes.

(c) HKAS 40 – Investment Property

In prior years, changes in the fair values of investment properties were dealt with as movements in the asset 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 income statement. Any subsequent revaluation surplus was credited to the income statement 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 income statement in the year in which they arise. 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 profits rather than restating the comparative amounts to reflect the changes retrospectively for the earlier period presented in the financial statements.

(d) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets

In prior years, goodwill and negative goodwill arising on acquisitions prior to 1st January, 2001 was eliminated against the consolidated retained profits and credited to the consolidated capital reserve, respectively, in the year of acquisition and was not recognised in the income statement until disposal or impairment of the acquired businesses.

Goodwill arising on acquisitions on or after 1st January, 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. Negative goodwill was carried in the balance sheet and was recognised in the consolidated income statement on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets.

The adoption of HKFRS 3 and HKAS 36 has resulted in the Group ceasing annual goodwill amortisation and commencing testing for impairment at the cash-generating unit level annually (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired).

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1st April, 2005 the carrying amounts of accumulated amortisation with a corresponding adjustment to the cost of goodwill and to derecognise at 1st April, 2005 the carrying amounts of negative goodwill (including that remaining in the consolidated capital reserve) against retained profits. Goodwill previously eliminated against the retained earnings remains eliminated against the retained profits and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

The change in accounting policy has had no effect on the consolidated income statement, retained profits and the consolidated balance sheet since the Group has no remaining goodwill or negative goodwill as at 1st April, 2004 and 1st April, 2005.

(e) 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 effects of the above changes are summarised in note (f) below. The change has been adopted retrospectively from the earliest period presented and comparative amounts have been restated.

(f) Summary of the Impact of Changes in Accounting Policies

(i) Effect on the consolidated balance sheet

At 1st April, 2005

	Effect of adopting			
Effect of new policies (Increase/(decrease))	HKASs 32# and 39* Changes in classification of equity investments *HK$'000*	HKAS 40* Surplus on revaluation of investment properties *HK$'000*	HK(SIC)-Int 21# Deferred tax on revaluation of properties *HK$'000*	Total *HK$'000*
Assets				
Available-for-sale equity investment	50,563	–	–	50,563
Long term investment	(50,563)	–	–	(50,563)
				–
Liabilities/equity				
Deferred tax liabilities	–	–	2,625	2,625
Asset revaluation reserve	–	(62,635)	(2,625)	(65,260)
Retained profits	–	62,635	–	62,635
				–

At 31st March, 2006

Effect of new policies (Increase/(decrease))	Effect of adopting HKASs 32# and 39* Changes in classification of equity investments *HK$'000*	HKAS 40* Surplus on revaluation of investment properties *HK$'000*	HK(SIC)-Int 21# Deferred tax on revaluation of properties *HK$'000*	Total *HK$'000*
Liabilities/equity				
Deferred tax liabilities	–	–	101,836	101,836
Asset revaluation reserve	–	(306,292)	–	(306,292)
Retained profits	–	306,292	(101,836)	204,456
				–

(ii) *Effect on the balances of equity at 1st April, 2004 and 1st April, 2005*

Effect of new policies (Increase/(decrease))	Effect of adopting HKASs 32# and 39* Changes in classification of equity investments *HK$'000*	HKAS 40* Surplus on revaluation of investment properties *HK$'000*	HK(SIC)-Int 21# Deferred tax on revaluation of properties *HK$'000*	Total *HK$'000*
1st April, 2004				
Asset revaluation reserve	–	–	(5,088)	(5,088)
1st April, 2005				
Asset revaluation reserve	–	(62,635)	(2,625)	(65,260)
Retained profits	–	62,635	–	62,635
				(2,625)

(iii) *Effect on the consolidated income statement for the years ended 31st March, 2006 and 2005*

Effect of new policies	Effect of adopting HKAS 1 Share of post-tax profits and losses of jointly-controlled entities *HK$'000*	HKAS 40* Surplus on revaluation of investment properties *HK$'000*	HK(SIC)-Int 21# Deferred tax on revaluation of properties *HK$'000*	Total *HK$'000*
Year ended 31st March, 2006				
Increase in fair value gains on investment properties, net	–	243,657	–	243,657
Increase in tax	–	–	(99,211)	(99,211)
Total increase/(decrease) in profit	–	243,657	(99,211)	144,446
Effect on basic earnings per share	–	HK$0.61	HK$(0.25)	HK$0.36
Effect on diluted earnings per share	N/A	N/A	N/A	N/A

Year ended 31st March, 2005				
Decrease in share of profits and losses of jointly-controlled entities	(165)	–	–	(165)
Decrease in tax	165	–	–	165
Total increase/(decrease) in profit	–	–	–	–
Effect on basic earnings per share	–	–	–	–
Effect on diluted earnings per share	N/A	N/A	N/A	N/A

* Adjustments taken effect prospectively from 1st April, 2005

\# Adjustments/presentation taken effect retrospectively

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		**Property investment**		**Others**		**Consolidated**	
	2006	2005	**2006**	2005	**2006**	2005 (Restated)	**2006**	2005 (Restated)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**970,198**	99,827	**77,264**	70,061	**11,965**	6,324	**1,059,427**	176,212
Segment results	**484,758**	(7,877)	**294,671**	46,839	**1,738**	4,541	**781,167**	43,503
Interest income							**6,286**	2,388
Unallocated gains							**623**	1,072
Unallocated expenses							**(33,852)**	(30,431)
Finance costs							**(63,438)**	(18,386)
Gain on disposal of subsidiaries							**56,161**	233,662
Share of profits and losses of jointly-controlled entities	**502**	4,175	**–**	–	**(283)**	(73)	**219**	4,102
Write off of debts due from a jointly-controlled entity	**–**	(3,873)	**–**	–	**–**	–	**–**	(3,873)
Profit before tax							**747,166**	232,037
Tax							**(162,520)**	(1,737)
Profit for the year							**584,646**	230,300

Geographical segments

	Hong Kong		**Mainland China**		**Malaysia**		**Consolidated**	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**123,045**	153,745	**925,518**	10,694	**10,864**	11,773	**1,059,427**	176,212

3. Other income

	2006	2005
	HK$'000	*HK$'000*
Bank interest income	**2,481**	2,152
Interest income from mortgage loan receivables	**180**	232
Other interest income	**3,625**	4
Other property management income	**3,542**	4,152
Others	**2,986**	2,207
	12,814	8,747

4. Profit before tax

Profit before tax is arrived at after charging/(crediting):

	2006	2005
	HK$'000	*HK$'000*
Cost of properties sold	**701,317**	106,610
Auditors' remuneration	**1,533**	1,142
Depreciation	**1,401**	1,076
Minimum lease payments under operating leases on land and buildings	**1,367**	1,692
Employee benefits expense (including directors' remuneration):		
Wages, salaries, allowance and benefits in kind	**16,864**	14,283
Pension scheme contributions	**841**	654
	17,705	14,937
Gross rental income	**(86,571)**	(73,657)
Less: Outgoing expenses	**34,792**	22,667
	(51,779)	(50,990)
Gain on disposal of items of property, plant and equipment	**–**	(40)
Foreign exchange differences, net	**(152)**	(450)

5. Finance costs

	2006	2005
	HK$'000	*HK$'000*
Interest on bank loans, overdrafts and other loans wholly repayable within five years	**79,849**	42,033
Interest on bank loans wholly repayable after five years	**2,891**	977
	82,740	43,010
Less: Amounts capitalised under property development projects	**(19,302)**	(24,624)
	63,438	18,386

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

	2006	2005
		(Restated)
	HK$'000	*HK$'000*
Operating profit, net	**219**	229
Waiver of debts	**–**	3,873
	219	4,102

In prior year, 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 debts 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.

7. Tax

	2006	2005
		(Restated)
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong	**62**	12
Current – Elsewhere	**63,121**	1,623
Deferred	**99,337**	102
Total tax charge for the year	**162,520**	1,737

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 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.

In the previous year, the share of tax attributable to a jointly-controlled entity amounting to HK$165,000 was included in "Share of profits and losses of jointly-controlled entities" on the face of the consolidated income statement.

8. Earnings per share

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent of HK$519,754,000 (2005: HK$229,616,000) and 400,238,501 (2005: 400,238,501) ordinary shares in issue during the year.

Diluted earnings per share amounts for the years ended 31st March, 2006 and 2005 have not been disclosed, as there was no diluting event existed during these years.

9. Trade receivables

An aged analysis of the trade receivables as at the balance sheet date, based on invoice/contract date, is as follows:

	2006	2005
	HK$'000	*HK$'000*
Current to 30 days	**126,529**	5,800
31 to 60 days	**570**	677
61 to 90 days	**228**	481
Over 90 days	**19**	582
	127,346	7,540

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

10. Trade payables and accrued liabilities

Included in trade payables and accrued liabilities are trade payables of HK$3,703,000 (2005: HK$3,304,000). An aged analysis of the trade payables as at the balance sheet date, based on invoice date, is as follows:

	2006	2005
	HK$'000	*HK$'000*
Current to 30 days	**3,703**	3,304

11. Comparative amounts

As further explained in note 1, due to the adoption of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the consolidated financial statements have been revised to comply with the new requirements. Accordingly, certain prior year and opening balance adjustments have been made and certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

DIVIDEND

The Directors recommend the payment of a final dividend of 11 cents per share for the year ended 31st March, 2006 (2005: 8 cents) to shareholders whose names appear on the Company's register of members on 20th September, 2006. It is expected that the dividend cheques will be despatched to shareholders on or before 5th October, 2006.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 15th September, 2006 to 20th September, 2006 (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 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong by not later than 4:30 p.m. on 14th September, 2006.

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, 2006.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of conduct for directors' securities transactions. Having made specific enquiry, all the directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31st March, 2006.

Compliance with the 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 year ended 31st March, 2006, except for the CG Code provision C.2 in respect of 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.1.1 stipulates that the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals.

   During the year ended 31st March, 2006, the Board met twice for approving the final results of the Company for the year ended 31st March, 2005 and the interim results for the period ended 30th September, 2005. As business operations were under the management and supervision of the executive directors of the Company, who had from time to time held meetings to resolve all material business or management issues, only two regular board meetings were held for the year ended 31st March, 2006.

2. 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 officer. Given the nature of the Group's businesses which require considerable market expertise, the Board believed that the vesting of the two roles for the time being provides the Group with stable and consistent leadership and allows for more effective planning and implementation of long term business strategies. The Board will continuously review the effectiveness of the structure to balance the power and authority of the Board and the management.

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

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

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

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

4. CG Code provision B.1.3 stipulates that the terms of reference of the remuneration committee should include, as a minimum, those specific duties as set out in the CG Code provisions. The Company adopted the terms of reference of the remuneration committee on 16th December, 2005 with certain deviations 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 of directors (as opposed to directors and senior management).

5. 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 Audit Committee has reviewed with management and the external auditors the final results of the Group for the year ended 31st March, 2006.

FINANCIAL REVIEW

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to HK$2,171 million as at 31st March, 2006 (2005: HK$1,434 million), of which approximately 18% of the debts were due and repayable within one year. The increase was mainly due to new bank loans being drawn to partly finance the acquisition of properties.

Total cash and bank balances was HK$447 million as at 31st March, 2006 (2005: HK$354 million). The Group had a total of HK$245 million committed but undrawn banking facilities at year end available for its working capital purpose.

Total shareholders' fund as at 31st March, 2006 was approximately HK$2,055 million (2005 (restated): HK$1,542 million). The increase was mainly due to the contribution from the current year's profit attributable to shareholders.

The gearing ratio of the Group, as measured by the net interest-bearing debts of approximately HK$1,724 million over the total shareholders' fund of approximately HK$2,055 million, was 84% as at 31st March, 2006 (2005: 70%).

Subsequent to the year end, the Group entered into a sale and purchase agreement to dispose of an investment property in Malaysia at a cash consideration of approximately HK$142 million which is scheduled for completion before the end of 2006. In addition, the Group issued 3.5% guaranteed convertible bonds due 2011 with a principal sum of HK$280 million at par. The above events have further strengthened the financial position of the Group.

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, 2006, 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$3,573 million as at 31st March, 2006 were pledged to secure certain banking facilities of the Group.

Contingent liabilities

At 31st March, 2006, the Group has given guarantees to a maximum extent of approximately HK$28 million to banks for housing loans extended by the banks to the purchasers of the Group's properties. The entire guarantees were released subsequent to the balance sheet date.

Save as disclosed 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, 2005.

Employees and remuneration policies

The Group, not including its jointly-controlled entities, employed approximately 360 employees as at 31st March, 2006. 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.

CHAIRMAN'S STATEMENT

CONSOLIDATED RESULTS

I am pleased to report that the Group's audited consolidated profits attributable to shareholders for the year ended 31st March, 2006 recorded a significant growth of 126% to HK$519.8 million (2005: HK$229.6 million). Earnings per share improved substantially to HK$1.30 (2005: HK$0.57). Audited net asset value per share increased to HK$5.13 as compared with HK$3.85 last year.

CORPORATE EVENTS

Issue of convertible bonds

On 27th June, 2006, Hon Kwok Land Treasury IV Limited, a wholly-owned subsidiary of the Company, issued convertible bonds due June 2011 at par to five institutional investors for a principal sum of HK$280 million (the "Bonds"). The Bonds are guaranteed by the Company and bear interest at the rate of 3.5% per annum, payable semi-annually in arrears. The bondholders have the rights, at any time on or after 27th July, 2006 up to and including the seventh business date prior to 27th June, 2011 to convert the Bonds into equity shares of the Company with a nominal value of HK$1 each at an initial conversion price of HK$4 per share, subject to adjustments in certain events. For details, please refer to the Company's announcement dated 20th June, 2006.

Sale of a non-core property

On 12th June, 2006, the Group entered into a formal agreement for sale of our commercial and shopping complex, known as Plaza Ampang in Kuala Lumpur, Malaysia for a sum of Ringgit Malaysia 70 million (equivalent to HK$142.1 million). Deposits in an aggregate amount of Ringgit Malaysia 3.5 million (equivalent to HK$7.1 million) were received upon signing of the agreement and completion is scheduled to take place on or before 12th December, 2006. For details, please refer to the Company's announcement dated 12th June, 2006 and circular to the shareholders dated 4th July, 2006.

Property development joint venture in the Nanhai District, Foshan

On 17th December, 2005, the Group as vendor entered into an agreement with a Morgan Stanley real estate fund as purchaser for the sale and purchase of 50% of the issued share capital of Floralmist Holdings Ltd. ("Floralmist"), a wholly-owned subsidiary of the Company, together with associated shareholder's loan for a cash consideration of RMB133,920,000 (equivalent to about HK$128.8 million). Floralmist owned 80% equity interest in Foshan Nanhai XinDa Land Development Ltd., which in turn is the owner of a piece of vacant land in the Nanhai District of Foshan having a site area of 247,987 square meters. The land, permitted for low-density residential development at a plot ratio of not exceeding 1, was valued to be RMB267,840,000 (equivalent to HK$257.6 million) as at the date of the agreement. Completion of the sale and purchase took place on 28th February, 2006 subsequent to the Group acquiring the remaining 20% equity interest in Foshan Nanhai XinDa Land Development Ltd. For details, please refer to the Company's announcements dated 20th December, 2005 and 25th January, 2006 and circulars to the shareholders dated 11th January, 2006 and 16th February, 2006.

Property development joint venture in the Liwan District, Guangzhou

On 21st October, 2005, the Group as vendor entered into an agreement with Gateway China Fund I, a real estate fund, as purchaser for the sale and purchase of 50% of the issued share capital of Rich Central Limited ("Rich Central"), a wholly-owned subsidiary of the Company, together with associated shareholder's loan for a cash consideration of HK$45,658,619. Rich Central, through its wholly-owned subsidiaries, owns a piece of vacant land in the Liwan District of Guangzhou having a site area of 4,817 square meters and a gross floor area of 46,494 square meters. The consideration was determined by reference to the auctioned price of RMB90,500,000 (equivalent to about HK$87 million) paid by the Group in July 2005. Completion of the sale and purchase took place on 28th October, 2005. For details, please refer to the Company's announcement dated 21st October, 2005 and circular to the shareholders dated 14th November, 2005.

CORPORATE STRATEGY

As I reported in my Chairman's Statement for the year ended 31st March, 2005, your Group sold the entire issued share capital of an off-shore company in September 2004 which owned a piece of vacant site at Diamond Hill, Kowloon. The site was the last remaining development project of your Group in Hong Kong.

At present, your Group focuses all property development activities on major cities in Southern China, namely, Shenzhen, Guangzhou and cities in the Pearl River Delta but we do not rule out the possibility to expand further to other cities as opportunities arise. As at 31st March, 2006, the Group, including its jointly-controlled entities, has land bank with a total buildable area of about 1,000,000 square meters and completed properties with a total gross floor area of about 50,000 square meters. It is the strategy of your Group to replenish and enlarge our land bank in China through further acquisitions with a view to establishing a larger platform in the coming years.

Your Group has decided not to engage in further property development in Hong Kong for the time being, simply because the opportunities available requires greater capital than your Group can manage at this stage. However, your Group still owns a decent investment property portfolio, comprising retail/commercial buildings, serviced apartments and car parking spaces, all situated at prime locations in Hong Kong for recurrent rental income. Under the current property market conditions, it is expected that these properties will stand to benefit from potential capital appreciation. We intend to enlarge our investment property portfolio further when opportunities arise.

CHANGE OF DIRECTORS

On 31st December, 2005, Mr. William Chung-Yue Fan resigned as a non-executive director of the Company. Taking this opportunity, the Board would like to express its gratitude for his valuable contribution to the Company since 1985.

On 1st January, 2006, Mr. Dennis Kwok-Wing Cheung was appointed as executive director of the Company. Mr. Cheung joined the Group in 1995 and is primarily in charge of the Group's property activities in Mainland China. The Board expresses its warmest welcome to Mr. Cheung on his promotion.

REVIEW OF OPERATIONS

Property Development

Mainland China

City Square（城市天地廣場）, a residential and commercial development in Luo Hu District, Shenzhen, was completed with the occupation permit issued in June 2005. The development comprises six towers of 2,262 units erected on an 8-storey commercial podium. The units were launched to the market for pre-sale in June 2004, with the commercial podium being retained for investment purpose. For the year ended 31st March, 2006, approximately 80% of the units were sold for an aggregate sales proceeds of about RMB1 billion. To unify the ownership of **City Square**（城市天地廣場）, the Group reached an agreement on 16th March, 2006 to buy out the 20% minority interest in Shenzhen Honkwok Huaye Development Co., Ltd., the owner of the **City Square**（城市天地廣場）project, for a cash consideration of RMB10 million (equivalent to about HK$9.6 million). The acquisition was approved by the relevant government authorities and completed on 13th June, 2006. For details, please refer to the Company's announcement dated 16th March, 2006.

Hong Kong

The Group has ceased its property development activities in Hong Kong. As a result, turnover from sale of remaining units in past-completed projects dropped from HK$89 million to HK$45 million in the year.

Canada

The project at the Bay and Dundas Street, Toronto is a two-phase development. Phase 1 of the project, in which the Group has a 75% interest, is a 16-storey building comprising 526 residential units with car park facilities. The project has been progressed to the interior and exterior fitting stage and is due for completion in September 2006. Up to 31st March, 2006, the Group has pre-sold about 85% of the units at an aggregate sales proceeds of CAD 98 million (equivalent to HK$656.6 million).

Phase 2 of the project, in which the Group has a 50% interest, is under a rezoning application to maximize the gross floor area for the development of a 50-storey mixed use building containing residential and hotel uses.

Property Investment

Hong Kong

The office market in Hong Kong continued to improve during the year. Positive rental reversions are seen for our office properties in Central and Tsimshatsui on new and renewal leases. The **Bauhinia**（寶軒）, our serviced apartment, has raised the room tariffs and maintained average occupancy at more than 90%. Overall rental income increased from HK$58 million to HK$66 million in the year.

As a result of the changes in building regulations, the Group is permitted to increase the gross floor area of **Hon Kwok Jordan Centre**（漢國佐敦中心）and **Hon Kwok TST Centre**（漢國尖沙咀中心）. Building and structural plans are under submission to construct the additional gross floor area into the existing buildings. Your Group is in the process of converting certain office floors in Tsimshatsui to retail use with a view to enhancing the rental income.

During the year, the Group purchased a portfolio of completed residential units in Kowloon with a 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 about HK$3,900 per square foot. Under the current market conditions, the rental yield for those units has improved remarkably against a slight increase in re-sale price over our purchase cost.

Malaysia

Plaza Ampang, our commercial complex at Kuala Lumpur, has an average occupancy of about 65%. Rental income dropped from HK$12 million to HK$11 million in the year.

Property revaluation

The Group annually revalues its investment properties to their fair values at year-end. During the year, the Group classified the commercial podium of **City Square**（**城市天地廣場**） as an investment property upon its completion. The resulting fair value changes, net of deferred tax and minority interest, of HK$337 million was credited as income in the year.

OVERVIEW

The mainland economy is showing no signs of slowing, with GDP growth in excess of 10% in the first half of 2006. There have been measures from the Central Government to cool the over-heated property market. These measures are aimed to control soaring property prices, so as to pave the way for the healthier development of the property market. The fundamentals of the mainland property market remain promising, as the economy continues to be robust and there are strong housing demand as a result of urbanization and increase in disposable income of the mainlanders. The Group views the recent austerity measures as an opportunity to replenish its land bank at lower costs as developers or investors of less financial strength may be forced to dispose of their properties in a softening property market under tightened credit.

James Sai-Wing Wong
Chairman

Hong Kong, 24th July, 2006

At the date hereof, the directors of the Company are Mr. James Sai-Wing Wong, Ms. Madeline May-Lung Wong, Mr. Herman Man-Hei Fung, Mr. Zuric Yuen-Keung Chan and Mr. Dennis Kwok-Wing Cheung and the independent non-executive directors of the Company are 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 and the South China Morning Post"