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, 2006

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, 2006 together with comparative figures for the corresponding period in the prior year as follows:

CONDENSED INCOME STATEMENT

		Six months ended 30th September,	
		2006	2005
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*2*	**261,148**	648,910
Cost of sales		**(181,885)**	(482,102)
Gross profit		**79,263**	166,808
Other income	*3*	**9,406**	4,078
Administrative expenses		**(25,500)**	(15,090)
Other operating expenses		**(1,626)**	(1,827)
Fair value gains on investment properties, net		**68,981**	–
Negative goodwill on acquisition of minority interests in a subsidiary		**51,179**	–
Finance costs	*4*	**(45,099)**	(22,310)
Share of profits and losses of jointly-controlled entities		**161**	153
Profit before tax	*5*	**136,765**	131,812
Tax	*6*	**(24,456)**	(19,171)
Profit for the period		**112,309**	112,641
Attributable to:			
Equity holders of the parent		**108,991**	91,301
Minority interests		**3,318**	21,340
		112,309	112,641
Earnings per share attributable to ordinary equity holders of the parent	*7*		
Basic		**27.23 cents**	22.81 cents
Diluted		**24.85 cents**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30th September, 2006 (Unaudited) HK$'000	As at 31st March, 2006 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**23,992**	23,540
Properties under development		**1,352,155**	1,209,884
Investment properties		**2,048,609**	1,971,631
Interests in jointly-controlled entities		**31,425**	29,357
Total non-current assets		**3,456,181**	3,234,412
CURRENT ASSETS			
Amounts due from jointly-controlled entities		**141,195**	129,257
Tax recoverable		**275**	456
Properties held for sale		**963,260**	988,871
Trade receivables	*8*	**26,393**	127,346
Prepayments, deposits and other receivables		**190,997**	63,201
Loans to minority interests		**85,188**	86,114
Pledged deposits		**41,400**	40,200
Cash and cash equivalents		**362,958**	406,454
Total current assets		**1,811,666**	1,841,899
CURRENT LIABILITIES			
Trade payables and accrued liabilities	*9*	**191,247**	195,639
Interest-bearing bank borrowings		**642,814**	395,168
Loans from minority interests		**27,033**	76,674
Amounts due to related companies		**23**	2,478
Customer deposits		**145,310**	126,868
Dividend payable		**44,026**	–
Tax payable		**61,391**	51,914
Total current liabilities		**1,111,844**	848,741
NET CURRENT ASSETS		**699,822**	993,158
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,156,003**	4,227,570
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**1,370,465**	1,775,807
Convertible bonds	*10*	**254,398**	–
Deferred tax liabilities		**115,500**	103,446
Total non-current liabilities		**1,740,363**	1,879,253
Net assets		**2,415,640**	2,348,317
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**400,239**	400,239
Reserves		**1,773,445**	1,654,591
		2,173,684	2,054,830
Minority interests		**241,956**	293,487
Total equity		**2,415,640**	2,348,317

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The unaudited interim condensed consolidated financial statements for the six months ended 30th September, 2006 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31st March, 2006.

Accounting policies

The accounting policies and basis of preparation adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2006, except in relation to the following amendments to and interpretation of Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) issued by the HKICPA that affect the Group and are adopted for the first time for the current period's financial statements:

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The adoption of these amendments and interpretation has had no material impact on the accounting policies of the Group and the methods of computation in the Group's unaudited interim condensed consolidated financial statements.

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,		Property management and others Six months ended 30th September,		Consolidated Six months ended 30th September,	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**207,971**	609,195	**39,388**	37,589	**13,789**	2,126	**261,148**	648,910
Segment results	**41,684**	138,132	**97,271**	24,559	**1,601**	1,351	**140,556**	164,042
Interest income							**4,114**	1,201
Unallocated gains							**196**	277
Unallocated expenses							**(14,342)**	(11,551)
Negative goodwill on acquisition of minority interests in a subsidiary							**51,179**	–
Finance costs							**(45,099)**	(22,310)
Share of profits and losses of jointly-controlled entities	**165**	161	**–**	–	**(4)**	(8)	**161**	153
Profit before tax							**136,765**	131,812
Tax							**(24,456)**	(19,171)
Profit for the period							**112,309**	112,641

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,	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**50,323**	78,968	**204,991**	564,515	**5,834**	5,427	**261,148**	648,910

3. OTHER INCOME

	Six months ended 30th September,	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Bank interest income	**1,567**	1,118
Interest income from mortgage loan receivables	**97**	83
Other interest income	**2,450**	–
Other property management income	**1,843**	1,804
Gain on disposal of investment properties	**2,341**	–
Others	**1,108**	1,073
	9,406	4,078

4. FINANCE COSTS

	Six months ended 30th September,	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on:		
Bank loans wholly repayable within five years	**54,285**	33,801
Bank loans wholly repayable after five years	**–**	1,354
Convertible bonds	**6,753**	–
Other loans	**–**	563
Bank overdrafts	**101**	83
	61,139	35,801
Less: Amounts capitalised under property development projects	**(16,040)**	(13,491)
	45,099	22,310

5. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	Six months ended 30th September,	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**1,273**	549
Staff costs (including directors' emoluments)	**10,946**	7,217

6. TAX

	Six months ended 30th September, 2006 (Unaudited) *HK$'000*	2005 (Unaudited) *HK$'000*
Group:		
Current – Hong Kong		
Tax credit for the period	**–**	(2)
Current – Elsewhere	**12,402**	18,863
Deferred	**12,054**	310
	24,456	19,171

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.

No Hong Kong profits tax has been provided as the Group companies did not have 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.

7. EARNINGS PER SHARE

The calculation of basic earnings per share amounts is based on the net profit for the period attributable to ordinary equity holders of the parent, and the ordinary shares in issue during the period.

The calculation of diluted earnings per share amounts is based on the net profit for the period attributable to ordinary equity holders of the parent, adjusted to reflect the after tax effect of effective interest on the liability component of convertible bonds and bond issue expenses written off. The weighted average number of ordinary shares used in the calculation is the ordinary shares in issue during the period, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the conversion of the convertible bonds into ordinary shares.

The basic and diluted earnings per share attributable to equity holders of the parent are calculated as follows:

	Six months ended 30th September, 2006 (Unaudited) *HK$'000*	2005 (Unaudited) *HK$'000*
Earnings:		
Earnings for the purpose of calculating basic earnings per share	**108,991**	91,301
After tax effect of effective interest on the liability component of convertible bonds	**5,572**	–
After tax effect of bond issue expenses written off	**(5,989)**	–
Earnings for the purpose of calculating diluted earnings per share	**108,574**	91,301
Weighted average number of ordinary shares:		
Ordinary shares in issue for the purpose of calculating basic earnings per share	**400,238,501**	400,238,501
Effect of conversion of convertible bonds	**36,721,311**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**436,959,812**	400,238,501

8. TRADE RECEIVABLES

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

	As at 30th September, 2006 (Unaudited) *HK$'000*	As at 31st March, 2006 (Audited) *HK$'000*
Current to 30 days	**25,244**	126,529
31 to 60 days	**550**	570
61 to 90 days	**416**	228
Over 90 days	**183**	19
	26,393	127,346

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.

9. TRADE PAYABLES AND ACCRUED LIABILITIES

Included in trade payables and accrued liabilities are trade payables of HK$3,492,000 (as at 31st March, 2006: HK$3,703,000). An aged analysis of trade payables, based on invoice date, is as follows:

	As at 30th September, 2006 (Unaudited) *HK$'000*	As at 31st March, 2006 (Audited) *HK$'000*
Current to 30 days	**3,492**	3,703

10. CONVERTIBLE BONDS

On 27th June, 2006, the Group issued convertible bonds due June 2011 at par 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. 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$1.00 each at an initial conversion price of HK$4.00 per share, subject to adjustments in certain events. There was no movement in the number of Bonds during the period. Any Bonds not converted will be redeemed at 124.5481% of their principal amount upon maturity on 27th June, 2011. Upon full conversion, the Bonds shall be converted into 70 million ordinary shares of the Company.

The Bonds, net of issue expenses, were split into liability and equity components of HK$247,645,000 and HK$24,826,000, respectively upon initial recognition by recognising the liability component at its fair value using an equivalent market interest rate for a similar bond without conversion option and attributing to the equity component the residual amount. The liability component is subsequently carried at amortised cost and the equity component is recognised in the other reserve.

11. POST BALANCE SHEET EVENT

On 15th November, 2006, the Company entered into a top-up placement arrangement for an issue of 80,047,700 new shares of the Company at a price of HK$4.05 each. The top-up placement was completed on 29th November, 2006, generating net proceeds of HK$315 million to the Group for general working capital use.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2006 (2005: Nil).

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30th September, 2006, there were no purchases, sales or redemptions by the Company or any of its subsidiaries of the Company's securities.

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, 2006.

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, 2006, except for the following deviations:

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

   Currently, 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.

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

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

   The Chairman will not be subject to retirement by rotation as stipulated in CG Code provision A.4.2 as the Board 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.

3. 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).

4. 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, 2006 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$2,268 million as at 30th September, 2006 (as at 31st March, 2006: HK$2,171 million), of which approximately 28% of the debts were due and repayable within one year. The increase was mainly due to the issue of convertible bonds to partly finance the acquisition of properties. Total cash and bank balances was HK$404 million as at 30th September, 2006 (as at 31st March, 2006: HK$447 million). The Group had a total of HK$307 million committed but undrawn banking facilities at the period end available for its working capital purpose. Total shareholders' fund as at 30th September, 2006 was approximately HK$2,174 million (as at 31st March, 2006: HK$2,055 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$1,864 million over the total shareholders' fund of approximately HK$2,174 million, was 86% as at 30th September, 2006 (as at 31st March, 2006: 84%).

Apart from the issuance of convertible bonds for HK$280 million in June 2006, the Group issued about 80 million new shares at HK$4.05 each for net cash proceeds of HK$315 million in November 2006, completed the disposal of Plaza Ampang for MYR70 million in December 2006 and, pending for completion, disposed a 50% interest in a Guangzhou project for RMB245 million. All these events have improved the financial position of the Group and provided additional cash resources for the Group's property activities in Hong Kong as well as in Mainland China. Had all these events be happened and completed on 30th September, 2006, the pro forma gearing of the Group as at 30th September, 2006 would have been 51%.

Funding and treasury policies

There are no significant changes in the Group's funding and treasury policies. As at 30th September, 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$3,734 million as at 30th September, 2006 were pledged to secure certain banking facilities of the Group.

Contingent liabilities

Contingent liabilities of material importance to the Group have been set out in the annual report of the Group for the year ended 31st March, 2006. Apart from the litigation in relation to a wholly-owned subsidiary of the Group which has ceased to be of any effect following the dissolution of the plaintiff, there was no significant change to the contingent liabilities of the Group.

Employees and remuneration policies

The Group, not including its jointly-controlled entities, employed approximately 370 people as at 30th September, 2006. There have been no significant changes in the remuneration policies and benefits to the employees of the Group.

CONSOLIDATED RESULTS

The Group's turnover and profit attributable to shareholders of the Company for the six months ended 30th September, 2006 were HK$261 million (2005: HK$649 million) and HK$109 million (2005: HK$91 million), respectively. Earnings per share were HK$0.27 (2005: HK$0.23).

CORPORATE EVENTS

Since 1st April, 2006, the Group has entered into the following transactions of significance:

Sale of a non-core property

On 12th June, 2006, the Group entered into a sale and purchase agreement to dispose Plaza Ampang, a commercial and shopping complex in Kuala Lumpur, Malaysia, to an independent third party for a cash consideration of MYR70 million (equivalent to about HK$142 million). The disposal enabled the Group to realize its investment in Malaysia and concentrate its resources to property development and investment activities in Hong Kong and Mainland China.

According to agreement, there was a first balance consideration of MYR56.5 million payable upon completion and a final balance consideration of MYR10 million payable within 24 months from the date of the agreement. Payment term was subsequently varied whereby the purchaser agreed for an early settlement of the final balance consideration at the time of completion. As a result, the consideration of MYR70 million has been received in full upon completion of the transaction on 11th December, 2006. For details, please refer to the Company's announcement dated 12th June, 2006 and circular to the shareholders dated 4th July, 2006.

Issue of convertible bonds

On 27th June, 2006, the Group issued convertible bonds due June 2011 at par to five institutional investors including Morgan Stanley 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. 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. The issuance of the Bonds raised net proceeds of about HK$272.5 million for general working capital of the Group. For details of the terms of the Bonds, please refer to the Company's announcement dated 20th June, 2006.

Property development joint venture in the Yuexiu District, Guangzhou

On 30th September, 2006, the Group entered into an agreement to dispose 50% of the issued share capital of Join Ally Limited (together with associated shareholder's loan) to SGM Golem Investment Limited, a real estate fund, for a cash consideration of about RMB245 million. Join Ally Limited, through its wholly-owned subsidiaries, shall hold the land use rights of three adjoining sites in the Yuexiu District of Guangzhou. The consideration of RMB245 million was agreed after arm's length negotiation between the parties, taking reference to the market value of properties in the vicinity. Completion of the disposal shall take place upon fulfillment of the conditions precedent and in no event be later than 31st March, 2007 unless extended otherwise. It is currently estimated that there would be a capital gain of about RMB66 million to the Group upon completion of the disposal. For details, please refer to the Company's announcement dated 4th October, 2006 and circular to the shareholders dated 26th October, 2006.

Issue of new shares

On 15th November, 2006, Chinney Investments, Limited ("Chinney"), the Company and The Hongkong and Shanghai Banking Corporation Limited ("HSBC") entered into an agreement pursuant to which Chinney (i) agreed to place through HSBC, on a fully underwritten basis, 80,047,700 existing shares to independent investors at a price of HK$4.05 each (the "Placing") and (ii) conditionally agreed to subscribe for 80,047,700 new shares also at a price of HK$4.05 each (the "Subscription"). The Placing was completed on 21st November, 2006 whereas the Subscription was completed on 29th November, 2006. The top-up share placement raised net proceeds of about HK$315 million to the Group for general working capital purpose including the acquisition of land banks.

REVIEW OF OPERATIONS

Property development

City Square (城市天地廣場), a residential and commercial development in the Luohu District of Shenzhen, was completed with the occupation permit issued in June 2005. Turnover and profit arising from our pre-sale of properties are recognized on completion basis, which contributed largely to the jump in property sales to HK$609 million a year earlier. During the period, property sales of HK$208 million came mainly from the sale of remaining units of City Square (城市天地廣場). Up to the date hereof, the Group has sold almost 97% of the residential and office units in City Square at an average price of about RMB11,000 per square meter.

In March 2006, the Group entered into an agreement to buy out the 20% minority interests in City Square (城市天地廣場) for a cash consideration of RMB10 million. The acquisition was completed in June 2006, resulting in a gain of about HK$51 million in the period. The gain arose as a result of the excess of the fair value of the net assets of City Square attributable to the 20% minority interests over the purchase consideration of RMB10 million.

Construction works for Phase 1 of the Toronto project, comprising a 16-storey building with 526 residential units and car park facilities, have been substantially completed for purchasers' interim occupancy earlier this month. There are remaining works for building amenities to be completed in the second quarter of 2007. As a result, title of the sold units has yet to be transferred to the purchasers for revenue recognition. Up to the date hereof, the Group has pre-sold about 90% of the units at an aggregate sales proceeds of about CAD110 million (equivalent to about HK$760 million). Phase 2 of the Toronto project is under rezoning application to maximize the gross floor area for the development of a 50-storey mixed used building containing residential and hotel uses. The Group has a 75% interest in Phase 1 and a 50% interest in Phase 2 of the project.

Property investment

During the period, the Group's investment properties consist of The Bauhinia apartments/Honwell Commercial Centre (寶軒及漢貿商業中心), Yien Yieh Commercial Building (鹽業商業大廈), Hon Kwok Jordan Centre (漢國佐敦中心), Hon Kwok TST Centre (漢國尖沙咀中心) and three lots of carparks in Hong Kong, the commercial podium of City Square (城市天地廣場) in Mainland China, and Plaza Ampang in Malaysia. These properties produced a recurrent income of HK$39 million to the Group (2005: HK$38 million).

Our investment properties in Hong Kong are mainly located in the core business districts in Central, Hong Kong and Tsimshatsui, Kowloon. To enhance the value of these properties, there are plans to build the additional buildable area arising from the exemption of curtain wall from gross floor area calculation into Hon Kwok Jordan Centre (漢國佐敦中心) and Hon Kwok TST Centre (漢國尖沙咀中心) and to convert certain office floors over there for retail use. The Group has also served notices to tenants of Yien Yieh Commercial Building (鹽業商業大廈) to facilitate demolition of the building for re-development. Building plan with an increase in plot ratio for the subject site was approved in July 2006. It is the intention of the Company to continue holding the re-developed Yien Yieh Commercial Building (鹽業商業大廈) as an investment property producing recurrent rental income to the Group.

The Group has revalued its investment properties to their fair values as at 30th September, 2006 to comply with the accounting standard. This resulted in a fair value gain of HK$57 million, net of deferred tax, in the period. Comparative figures have not been restated to reflect the fair value gain of investment properties in prior period.

Property management and others

Commencing October 2005, the Group obtained contracts to manage carparks both in the private and public sector. Turnover correspondingly increased to HK$14 million in the period (2005: HK$2 million).

OVERVIEW

Over the years, the Group has transformed itself into a property developer in Mainland China with quality land banks in urban areas. As of the date hereof, the Group has four plots of land in the Tianhe, Liwan and Yuexiu Districts of Guangzhou, a plot of land in the Futian District of Shenzhen and a plot of land in the Nanhai District of Foshan. These land banks with a total gross floor area of about 11 million square feet will provide continual developments for the coming five years. The Central Government has introduced a number of austerity measures to rein in the property prices. The fundamentals of the real estate market, however, remain solid as a result of the continuous economic growth, increasing urbanization and rising household income in Mainland China and the appreciation of Renminbi. Against these favorable factors, the Group shall remain active but cautious in building up its land banks at chosen locations in the major cities of Southern China and, if opportunities come, to expand to other cities in Mainland China. As mentioned in the paragraph headed "Corporate Events", the Group has raised funds of about HK$600 million from the capital market and proceeds of about HK$390 million from disposal of property interests. These proceeds are intended for general working capital use of the Group, including land bank replenishment.

Aside from the development projects in Mainland China, the Group owns a portfolio of investment properties in Hong Kong totaling about 300,000 square feet. These properties are all located in the central business districts. The Group is taking active steps including re-developing Yien Yieh Commercial Building, upgrading the tenant mix and obtaining additional buildable area in Hon Kwok Jordan Center and Hon Kwok TST Center to maximize the value and recurrent rental income of our properties. Looking ahead, our rental portfolio shall continue to perform well, albeit temporary drop in occupancy owing to re-development or alternation works, as the outlook of the Hong Kong economy remains positive. The US Federal Reserve decided to keep the interest rate unchanged for a fourth consecutive meeting is a strong signal that interest rate hikes may well come to an end, which in turn shall boost investors' confidence in the local property market.

James Sai-Wing Wong
Chairman

Hong Kong, 19th December, 2006

As at the date hereof, the board of directors of the Company comprises 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"