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 31 MARCH 2008

RESULTS

The directors (the "Directors") of Hon Kwok Land Investment Company, Limited (the "Company") are pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2008 together with comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	For the year ended 31 March 2008 HK$'000	2007 HK$'000
Revenue	*2*	**1,250,745**	392,218
Cost of sales		**(1,009,228)**	(269,157)
Gross profit		**241,517**	123,061
Other income	*3*	**44,588**	12,824
Fair value gains on investment properties, net		**381,004**	190,613
Gain on disposal of investment properties		**15,550**	9,443
Excess over the cost of a business combination on acquisition of minority interests in a subsidiary		**-**	51,179
Administrative expenses		**(65,731)**	(58,032)
Other operating expenses, net		**(21,522)**	(74,244)
Finance costs	*4*	**(79,954)**	(87,816)
Share of profits and losses of jointly-controlled entities		**493**	122
Profit before tax	*5*	**515,945**	167,150
Tax	*6*	**(79,021)**	(61,713)
Profit for the year		**436,924**	105,437
Attributable to:			
Equity holders of the Company		**399,516**	101,401
Minority interests		**37,408**	4,036
		436,924	105,437
Dividend – proposed final		**60,036**	60,036
Earnings per share attributable to ordinary equity holders of the Company	*7*		
Basic		**HK$0.83**	HK$0.24
Diluted		**HK$0.77**	N/A

CONSOLIDATED BALANCE SHEET

		As at 31 March	
		2008	2007
	Notes	***HK$'000***	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**26,395**	25,490
Properties under development		**1,699,408**	1,533,280
Investment properties		**2,373,878**	2,034,341
Investment deposits		**-**	187,847
Interests in jointly-controlled entities		**55,880**	34,189
Total non-current assets		**4,155,561**	3,815,147
CURRENT ASSETS			
Amounts due from jointly-controlled entities		**159,417**	141,539
Tax recoverable		**464**	62
Properties held for sale		**523,230**	1,015,450
Trade receivables	*8*	**5,550**	25,753
Prepayments, deposits and other receivables		**27,806**	32,378
Pledged deposits		**-**	41,400
Cash and cash equivalents		**519,226**	417,903
Total current assets		**1,235,693**	1,674,485
CURRENT LIABILITIES			
Amount due to a minority shareholder		**-**	18,077
Trade payables and accrued liabilities	*9*	**144,836**	207,874
Interest-bearing bank borrowings		**576,999**	514,566
Amount due to a related company		**44**	28
Customer deposits		**38,528**	195,825
Tax payable		**58,126**	70,899
Total current liabilities		**818,533**	1,007,269
NET CURRENT ASSETS		**417,160**	667,216
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,572,721**	4,482,363
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**851,267**	1,342,295
Convertible bonds		**279,980**	262,361
Deferred tax liabilities		**190,879**	147,348
Total non-current liabilities		**1,322,126**	1,752,004
Net assets		**3,250,595**	2,730,359

CONSOLIDATED BALANCE SHEET *(Continued)*

	As at 31 March	
	2008	2007
	HK$'000	*HK$'000*
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	**480,286**	480,286
Equity component of convertible bonds	**24,826**	24,826
Reserves	**2,537,126**	2,033,928
Proposed final dividend	**60,036**	60,036
	3,102,274	2,599,076
Minority interests	**148,321**	131,283
Total equity	**3,250,595**	2,730,359

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 include all Hong Kong Financial Reporting Standards, 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 Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 Amendment	Capital Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 - Group and Treasury Share Transactions

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 7 *Financial Instruments: Disclosures*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) Amendment to HKAS 1 *Presentation of Financial Statements - Capital Disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

1. **IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS** *(Continued)*

(c) HK(IFRIC)-Int 8 *Scope of HKFRS 2*

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Group has no share option scheme, the interpretation has had no effect on these financial statements.

(d) HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on these financial statements.

(e) HK(IFRIC)-Int 10 *Interim Financial Reporting and Impairment*

The Group has adopted this interpretation as of 1 April 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

(f) HK(IFRIC)-Int 11 *HKFRS 2 – Group and Treasury Share Transactions*

This interpretation requires arrangements whereby an employee is granted rights to the Group’s equity instrument, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also address the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently does not have such transaction, the interpretations has had no impact on the Group.

2. SEGMENT INFORMATION

The Group is principally engaged in property development, property investment and property related activities.

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 March 2008 and 2007.

	Property development		Property investment		Others		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**1,156,454**	290,545	**58,377**	73,334	**35,914**	28,339	**1,250,745**	392,218
Segment results	**186,873**	49,970	**436,464**	185,923	**6,497**	3,880	**629,834**	239,773
Interest income							**10,750**	7,151
Unallocated gains							**147**	228
Unallocated expenses							**(45,325)**	(43,487)
Finance costs							**(79,954)**	(87,816)
Excess over the cost of a business combination on acquisition of minority interests in a subsidiary							**-**	51,179
Share of profits and losses of jointly-controlled entities	**493**	122	**-**	-	**-**	-	**493**	122
Profit before tax							**515,945**	167,150
Tax							**(79,021)**	(61,713)
Profit for the year							**436,924**	105,437

2. **SEGMENT INFORMATION** *(Continued)*

	Property development		Property investment		Others		Eliminations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets and liabilities										
Segment assets	**2,272,159**	2,807,155	**2,435,050**	2,042,960	**2,287,384**	2,427,062	**(2,338,326)**	(2,422,638)	**4,656,267**	4,854,539
Interests in jointly-controlled entities	**55,880**	34,189	**-**	-	**-**	-	**-**	-	**55,880**	34,189
Amounts due from jointly-controlled entities	**159,417**	141,539	**-**	-	**-**	-	**-**	-	**159,417**	141,539
Unallocated assets									**519,690**	459,365
Total assets									**5,391,254**	5,489,632
Segment liabilities	**1,317,561**	1,725,850	**1,134,520**	1,086,933	**69,653**	13,582	**(2,338,326)**	(2,422,638)	**183,408**	403,727
Unallocated liabilities									**1,957,251**	2,355,546
Total liabilities									**2,140,659**	2,759,273
Other segment information:										
Depreciation	**1,961**	1,865	**116**	122	**916**	609	-	-	**2,993**	2,596
Fair value gains on investment properties, net	**-**	-	**381,004**	190,613	**-**	-	**-**	-	**381,004**	190,613
Release of exchange fluctuation reserve upon return of investment of a foreign subsidiary	**28,515**	-	**-**	-	**-**	-	**-**	-	**28,515**	-
Release of exchange fluctuation reserve upon disposal of business of foreign operations	-	-	**-**	60,834	**-**	-	**-**	-	**-**	60,834
Capital expenditure	**1,195**	957	**22**	18	**478**	2,500	**-**	-	**1,695**	3,475

2. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 March 2008 and 2007.

	Hong Kong		Mainland China		Malaysia		Canada		Eliminations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK'000***	*HK'000*
Segment revenue:												
Sales to external customers	**315,058**	103,496	**3,303**	280,055	**-**	8,667	**932,384**	-	**-**	-	**1,250,745**	392,218
Other segment information:												
Segment assets	**3,319,997**	3,233,687	**3,024,721**	2,562,389	**2,720**	3,820	**124,601**	790,357	**(1,080,785)**	(1,100,621)	**5,391,254**	5,489,632
Capital expenditure	**500**	2,518	**1,195**	957	**-**	-	**-**	-	**-**	-	**1,695**	3,475

3. OTHER INCOME

	2008	2007
	HK$'000	*HK$'000*
Bank interest income	**7,827**	6,952
Interest income from mortgage loans receivable	**136**	199
Other interest income	**2,787**	-
Release of exchange fluctuation reserve upon return of investment of a foreign subsidiary	**28,515**	-
Other property management income	**-**	2,843
Others	**5,323**	2,830
	44,588	12,824

4. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest on:		
Bank loans, overdrafts and other loans (including convertible bonds) wholly repayable within five years	**120,274**	124,508
Less: Amounts capitalised under property development projects	**(40,320)**	(36,692)
	79,954	87,816

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2008	2007
	HK$'000	*HK$'000*
Cost of properties sold	**964,744**	221,894
Depreciation	**2,993**	2,596
Minimum lease payments under operating leases on land and buildings	**2,681**	1,853
Auditors' remuneration	**1,729**	1,586
Employee benefit expense (including directors' remuneration):		
Wages, salaries, allowances and benefits in kind	**28,811**	25,686
Pension scheme contributions	**1,077**	982
	29,888	26,668
Gross rental income	**(91,580)**	(98,902)
Less: Outgoing expenses	**44,484**	47,263
	(47,096)	(51,639)
Impairment of other receivables	**10,524**	-
Write-down of properties held for sale to net realisable value	**-**	7,000
Release of exchange fluctuation reserve upon return of investment of a foreign subsidiary	**(28,515)**	-
Release of exchange fluctuation reserve upon disposal of business of foreign operations	**-**	60,834

At the balance sheet date, the amount of forfeited pension scheme contributions available to the Group for future utilisation was not significant.

6. TAX

	2008	2007
	HK$'000	*HK$'000*
Group:		
Current tax		
Overseas profits tax	**45,119**	1,496
Mainland China corporate income tax	**88**	10,811
Mainland China land appreciation tax	**-**	9,441
	45,207	21,748
Deferred tax		
Hong Kong profits tax	**29,036**	26,075
Overseas profits tax	**-**	(1,421)
Mainland China corporate income tax	**4,778**	15,311
	33,814	39,965
Total tax charge for the year	**79,021**	61,713

No provision for Hong Kong profits tax has been made as the Group has available tax losses brought forward from prior years to offset the assessable profits generated during the year (2007: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Land appreciation tax has been provided in conformity with the prevailing rules and practices on the Group's completed projects in Mainland China at progressive rates ranging from 30% to 60% on the appreciation of land value, net of deductibles.

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible bonds. The weighted average number of ordinary shares used in the calculation is the weighted average number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.

The calculation of basic and diluted earnings per share are based on:

	2008	2007
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**399,516**	101,401
Interest on convertible bonds, net of tax	**22,621**	16,081
Profit attributable to ordinary equity holders of the Company before interest on convertible bonds	**422,137**	117,482 *

	Number of shares	
	2008	2007
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**480,286,201**	427,213,479
Effect of dilution – weighted average number of ordinary shares: Convertible bonds	**70,000,000**	53,315,068
	550,286,201	480,528,547 *

* *Last year, because the diluted earnings per share amount was increased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share for that year. Therefore, no diluted earnings per share amount was disclosed.*

8. TRADE RECEIVABLES

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

	2008	2007
	HK$'000	*HK$'000*
Within 1 month	**5,393**	25,311
1 to 2 months	**110**	269
2 to 3 months	**47**	46
Over 3 months	**-**	127
Total	**5,550**	25,753

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 the 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.

9. TRADE PAYABLES AND ACCRUED LIABILITIES

Included in the trade payables and accrued liabilities are trade payables of HK$9,211,000 (2007: HK$1,216,000). An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	2008	2007
	HK$'000	*HK$'000*
Within 1 month	**9,211**	1,216

10. POST BALANCE SHEET EVENT

On 5 March 2008, the Group, as vendor, entered into a provisional sale and purchase agreement with an independent third party, as purchaser, to dispose of an investment property, namely Yien Yieh Commercial Building, on a vacant site basis for a cash consideration of HK$335,000,000. The formal sale and purchase agreement was signed on 14 April 2008.

A total deposit of HK$50,250,000 had been received up to the date of this announcement and the remaining balance of HK$284,750,000 will be received upon completion of the disposal. Demolition works up to ground floor level have been completed as certified by the architect on 11 July 2008 and completion of the disposal is scheduled on 31 July 2008.

DIVIDEND

The Directors recommend the payment of a final dividend of 12.5 Hong Kong cents per ordinary share for the year ended 31 March 2008 (2007: 12.5 Hong Kong cents) to shareholders whose names appear on the Company's register of members on 11 September 2008. Subject to the approval by the shareholders at the forthcoming annual general meeting, the dividend cheques are expected to be despatched to shareholders on or before 3 October 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 8 September 2008 to 11 September 2008 (both days inclusive), during which period no share transfers will be registered. In order to qualify for the final dividend, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on 5 September 2008.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the year ended 31 March 2008.

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 31 March 2008.

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 31 March 2008, except for the following deviations:

1. CG Code provision A.1.1 stipulates that the board of directors (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 31 March 2008, the Board met twice for approving the final results of the Company for the year ended 31 March 2007 and the interim results for the period ended 30 September 2007. 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 31 March 2008.

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 16 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. The terms of reference of the remuneration committee and audit committee of the Company are available from the Company Secretary on request and not yet ready on the Company's website as stipulated in CG Code provisions B.1.4 and C.3.4.

6. CG Code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting and arrange for the chairmen of the audit and remuneration committees or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting.

   Mr. James Sai-Wing Wong, the Chairman of the Company, and the members of the audit committee of the Company were unable to attend the annual general meeting of the Company held on 14 September 2007 (the "AGM") as they had other business engagements. Mr. Herman Man-Hei Fung, the Vice-Chairman of the Company, took the chair of the AGM. The Board believed that Mr. Herman Man-Hei Fung together with the executive directors of the Company who attended the AGM were competent to answer the shareholders' queries.

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 the final results of the Group for the year ended 31 March 2008.

FINANCIAL REVIEW

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to HK$1,708 million as at 31 March 2008 (2007: HK$2,119 million), of which approximately 34% of the debts were due and repayable within one year.

Total cash and bank balances including time deposits were HK$519 million as at 31 March 2008 (2007: HK$459 million). The Group had a total of HK$707 million committed but undrawn banking facilities at year end available for its working capital purpose.

Total shareholders' funds as at 31 March 2008 was approximately HK$3,102 million (2007: HK$2,599 million). The increase was mainly due to current year's profit attributable to shareholders.

The gearing ratio of the Group, as measured by the net interest-bearing debts of approximately HK$1,189 million over the total shareholders' funds of approximately HK$3,102 million, was 38% as at 31 March 2008 (2007: 64%).

In November 2007, the Group entered into an agreement with a syndicate of banks on a 3-year club loan facility of HK$280 million. The facility provides additional financial resources to the Group for its property activities in Hong Kong and Mainland China.

In March 2008, the Group entered into a provisional sale and purchase agreement to dispose of Yien Yieh Commercial Building for a cash consideration of HK$335 million. The disposal is expected to generate net cash proceeds, after repayment of related bank loans and expenses, of approximately HK$282 million to the Group. The above disposal, upon completion by the end of July 2008, will further enhance the financial position of the Group.

Use of proceeds from share placement

In November 2006, the Group issued 80 million new shares at a price of HK$4.05 per share and generated net cash proceeds of HK$315 million for general working capital of the Group, including acquisition of landbank. During the year ended 31 March 2007, the Group utilised HK$65 million for general working capital, applied HK$130 million for temporary repayment of bank borrowings with the balance of HK$120 million being retained as cash and bank balances at year-end. During the year under review, the Group further utilised HK$141 million for general working capital, including the acquisition of the Chongqing land.

Funding and treasury policies

The Group adopts prudent funding and treasury policies. Surplus funds are primarily maintained in the form of cash deposits with leading banks.

Acquisition and development of properties are financed partly by internal resources and partly by borrowings including secured bank loans and convertible bonds. 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 and convertible bonds.

Foreign currency exposure is monitored closely by the management and hedged to the extent desirable. As at 31 March 2008, the Group had no material exposure under foreign exchange contracts or any other hedging instruments.

Pledge of assets

Properties with an aggregate carrying value of HK$3,920 million as at 31 March 2008 were pledged to secure certain banking facilities of the Group.

Employees and remuneration policies

The Group, not including its jointly-controlled entities, employed approximately 310 employees as at 31 March 2008. 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.

FINANCIAL RESULTS

For the year ended 31 March 2008, the Group’s consolidated turnover and net profit attributable to shareholders reached HK$1,251 million (2007: HK$392 million) and HK$400 million (2007: HK$101 million), respectively. Basic earnings per share were HK$0.83 (2007: HK$0.24). The shareholders’ equity amounted to HK$3,102 million (2007: HK$2,599 million). Net assets per share attributable to shareholders were HK$6.46 (2007: HK$5.41).

The increase in turnover and net profit is mainly attributable to the profit recognition for the sale of our Toronto project, **One City Hall**, which was completed and delivered to purchasers in November 2007. The turnover and profit contribution from property sales in 2006-07 was largely derived from the disposal of the remaining residential units in **City Square (城市天地廣場)** in Shenzhen.

Out of the property revaluation gain, net of deferred tax, of HK$347 million (2007: HK$ 151 million) included in net profit, HK$107 million (2007: HK$28 million) arose from **Yien Yieh Commercial Building (鹽業商業大廈)** is virtually realised as the disposal of property is contracted to be completed by the end of July 2008.

BUSINESS REVIEW

1. Disposal of Investment Property

The Group acquired through public tender **Yien Yieh Commercial Building (鹽業商業大廈)** in Central District in December 2002 at a price of HK$68 million for rental income. As reported in our last interim and annual reports, the Group intended to demolish the building for redevelopment into a modern office/retail property since plot ratio of the building acquired had not been fully utilised. It was anticipated that rental income therefrom after redevelopment will be enhanced substantially. We appointed a sole leasing agent to pre-lease units of the new building. However, in March 2008, an independent party offered to purchase the property on a vacant site basis for a cash consideration of HK$335 million. Your Board considered the disposal would generate a very favourable investment return to the Group and provide further opportunity for us to look for other investment properties at some appropriate time. HK$50.25 million, representing 15% of the consideration, has been received as deposit. Demolition works up to ground floor level have been completed as certified by our architect on 11 July 2008 and completion of the sale and purchase is scheduled on 31 July 2008. Details of the transaction are contained in our “Major Transaction” circular to our shareholders on 28 April 2008.

2. Sales of Development and Other Properties

Canada

Phase I of our Toronto project known as **One City Hall** is a 16-storey building with gross floor area of 39,283 sq.m. The project comprising 526 residential units was completed and delivered to purchasers in November 2007. Almost all the units were sold with sales proceeds of CAD 123 million (approximately HK$930 million). The Group owns a 75% interest in this development project.

Hong Kong

During the financial year under review, the Group sold 61 second hand residential flats, mainly at Sky Tower in To Kwa Wan and Laguna City in Kwun Tong. Together with the sales of 187 carparking spaces at Provident Centre in North Point and a number of remaining unsold units from various development projects, the Group has realised a total cash consideration of HK$333 million with a decent profit margin.

After the financial year end date, all the nine unsold shops with gross floor area of 6,649 sq.ft. at **Kensington Plaza (金威廣場)**, Jordan District, were disposed of at a cash consideration of HK$71.5 million. The transaction was completed on 9 July 2008.

3. Property Development

Shenzhen, PRC

Being one of the five prestige and prime sites along the key traffic line on Shennan Road, an 80-storey super high rise grade A retail, commercial, office and apartment building, known as **Hon Kwok City Commercial Centre (漢國城市商業中心)** will be built at the junction of Shennanzhong Road and Fuming Road, Futian District of Shenzhen. While facing the vast Shenzhen Central Park, the site is also favourably adjacent to the busiest retail and commercial hub of the city and close to central business district and government headquarters. In May 2008, our building plan has been approved by the Mayor of Shenzhen together with four other signature buildings along Shennan Road. Our building is designed by a leading world class architect firm jointly with a reputable local architect firm. Total gross floor area of the building is 128,000 sq.m., which will comprise top eight floors of super luxury duplex serviced apartments, 54 upper floors of first class serviced or commercial apartments and 12 lower floors of grade A offices atop of a 6-level commercial/retail podium and underground carparks. Detailed design and construction plan are in progress. It will be one of the new landmarks in Shenzhen and construction works are scheduled to commence in the first quarter of 2009.

Guangzhou, PRC

In Guangzhou, superstructure has been completed for Phase I of **Botanica (寶翠園)** in Long Dong Cun, Tianhe District and **No. 5 Residence (北京路 5 號公館)** at 17-43 Beijing Nan Road in Yuexiu District. Phase I of Botanica (寶翠園) comprises eight blocks of 332 residential units with gross floor area of 40,500 sq.m. No. 5 Residence (北京路 5 號公館) is a residential building on top of a commercial/retail podium, altogether with a total gross floor area of 20,300 sq.m. Renovation works are in progress and, subject to market conditions, both projects are planned for pre-sale by first quarter of 2009.

Detailed design of our 50/50 joint venture project at **459-471 Longjinzhong Road** in Liwan District has been in place. Construction works are expected to commence by mid 2009 with scheduled completion in 2011.

Preliminary development plans for the other three sites at **45-65 and 67-107 Beijing Nan Road** and **Dong Guan Zhuan (東莞莊)** in Tianhe District are in progress.

Nanhai, PRC

Master plan for Phase I of **Yayao Oasis (雅瑤綠洲)** in Dali District of Nanhai has been finalised. Out of the total gross floor area of 272,800 sq.m., Phase I is planned to cover 134,500 sq.m. of low rise apartments and town houses. Projected construction works are expected to commence in early 2009 and completion in 2011.

Chongqing, PRC

In July 2007, the Group acquired at a total consideration of HK$102 million a project under development and a 50% interest in another project adjacent to the first project, both situate in a new business district "Beibuxinqu 北部新區" in the northern part of Chongqing. The first property, which is wholly-owned by the Group, is known as **Cha's Centre (查氏中心)**. It is a twin-tower project with a total gross floor area of approximately 108,000 sq.m., comprising a 28,000 sq.m. grade A office tower and a 28,000 sq.m. commercial/apartment tower, both on top of a 32,000 sq.m. retail/commercial podium and 20,000 sq.m. underground carparks. Superstructure has been completed and external curtain wall is under installation. Renovation works will be completed by mid 2009. Leasing and pre-sale programs are being planned.

For the adjacent project, the Group together with its joint venture partner are currently formulating a development plan for a commercial, hotel and serviced apartment complex with a total gross floor area of about 134,000 sq.m.

Canada

For Phase II of the Toronto project with a current gross floor area of 24,400 sq.m., in which the Group holds a 50% interest, application to increase the buildable area with local town planning authority is in progress.

Development Land Bank

Including jointly-controlled entities, the Group has eight projects under development in the Mainland China and one project in Canada. Total gross floor area from these projects of approximately 1,257,000 sq.m. will be adequate for the Group's property development operations in the coming three years or so. The Group is also actively looking for further investment opportunities, mainly in China cities.

4. Property Investment

The Group's investment properties consist of **The Bauhinia /Honwell Commercial Centre (寶軒及漢貿商業中心)**, **Hon Kwok Jordan Centre (漢國佐敦中心), Hon Kwok TST Centre (漢國尖沙咀中心)**, various carparks in **Provident Centre (和富中心)**, **Lido Garden (麗都花園)** and **Shining Court (順寧居)** together with the commercial podium of **City Square (城市天地廣場)** in Shenzhen. Projected rental income is expected to grow substantially upon completion of extensive renovation works, especially for the three buildings which will comprise hotel rooms.

5. Serviced Apartments and Hotel Operations

Based on the experience and success in running our serviced apartments at **The Bauhinia (寶軒)** in Central and **City Suites (寶軒公寓)** at City Square (城市天地廣場) in Luohu, Shenzhen, the Board sees the increasing market demand from corporate clients and expatriates for both short term and medium term accommodations. Building plan for **The Bauhinia/Honwell Commercial Centre (寶軒及漢貿商業中心)** in Central for a 249-room hotel has been approved by the Buildings Department.

Conversion of top nine office floors to 44-room hotel at **Hon Kwok TST Centre (漢國尖沙咀中心)** in Tsim Sha Tsui has recently been approved by the Buildings Department. The Group is considering various design and leasehold improvement plans to renovate the top nine floors into a boutique hotel for guests who look for up-market and stylish accommodation while entertaining and shopping around the Knutsford Terrace and Tsim Sha Tsui area. Upon completion of the renovation works in early 2009, the Group expects a substantial improvement in the rental yield as well as the capital value of the property.

The Group continues to look for opportunities in expanding our "Bauhinia (寶軒)" serviced apartments/hotel operations in Hong Kong, Shenzhen, Guangzhou and other PRC cities.

OUTLOOK

Given the continued trend of oil prices breaking record highs, coupled with the financial crisis resulting from the sub-prime property mortgage market in the USA, the general economy of the States is likely to slip into recession in the months ahead. Contraction in capital value of properties and stock investment has evaporated both corporation and personal wealth and dampened investor sentiment. World-wide economic growth, including Hong Kong and Mainland China, is expected to slow down.

In China, the Central Government has recently further tightened their monetary and lending policies by raising reserve requirement of major banks to a record high of 17.5%. Its intended purposes are to curb the over-heated property and stock markets with a view to maintain longer term stability and suppress inflationary pressure. Fortunately, most of our projects under development in the Mainland China were acquired at relatively low land costs and in more populated areas in the cities. In this regard, I must thank our Board of Directors for their dedications and efforts in recruiting and working with competent executives who are well equipped with technical skills, market acumen, creativity and having close working relationships with government authorities and bankers.

In the past financial year and thereafter, the Group has captured the up trend property market in Hong Kong through the sales of various residential flats, carparking spaces, nine ground floor shops at **Kensington Plaza (金威廣場)** and **Yien Yieh Commercial Building (鹽業商業大廈)**. Coupled with the repatriation of return on investment from our Toronto project, total cash proceeds available to the Group will amount to approximately HK$881 million. This funding not only enabled the Group to reduce its bank gearing by HK$429 million at balance sheet date, but also provide the Group with sufficient liquidity for seeking new investment opportunities under the possibly weak and vulnerable property market in the short term future. I am confident that the Group is capable of meeting the coming challenges, scaling new heights and enhancing investment value to shareholders.

PUBLICATION OF FURTHER FINANCIAL INFORMATION

The 2007/08 annual report of the Company will be despatched to the shareholders of the Company and available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and on the website of the Company at www.honkwok.com.hk in due course.

James Sai-Wing Wong
Chairman

Hong Kong, 17 July 2008

As 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. Dennis Kwok-Wing Cheung and Mr. Zuric Yuen-Keung Chan and the independent non-executive directors are Dr. Daniel Chi-Wai Tse, Mr. Kenneth Kin-Hing Lam and Prof. Hsin-Kang Chang.