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 30 SEPTEMBER 2007

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 30 September 2007 together with comparative figures for the corresponding period in the prior year as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
		2007	2006
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*2*	**86,322**	261,148
Cost of sales		**(52,928)**	(181,885)
Gross profit		**33,394**	79,263
Other income	*3*	**4,346**	9,406
Fair value gains on investment properties, net		**115,386**	68,981
Excess over the cost of a business combination on acquisition of minority interests in a subsidiary		**-**	51,179
Administrative expenses		**(24,902)**	(25,500)
Other operating expenses		**(609)**	(1,626)
Finance costs	*4*	**(41,426)**	(45,099)
Share of profits and losses of jointly-controlled entities		**283**	161
Profit before tax	*5*	**86,472**	136,765
Tax	*6*	**(29,570)**	(24,456)
Profit for the period		**56,902**	112,309
Attributable to:			
Equity holders of the Company		**56,939**	108,991
Minority interests		**(37)**	3,318
		56,902	112,309
Earnings per share attributable to ordinary equity holders of the Company	*7*		
Basic		**11.86 cents**	27.23 cents
Diluted		**N/A**	24.85 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**As at 30 September 2007 (Unaudited) *HK$'000***	As at 31 March 2007 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**25,656**	25,490
Properties under development		**1,764,408**	1,533,280
Investment properties		**2,161,117**	2,034,341
Investment deposits		**54,356**	187,847
Interests in jointly-controlled entities		**47,896**	34,189
Total non-current assets		**4,053,433**	3,815,147
CURRENT ASSETS			
Amounts due from jointly-controlled entities		**151,687**	141,539
Tax recoverable		**58**	62
Properties held for sale		**1,099,279**	1,015,450
Trade receivables	*8*	**19,886**	25,753
Prepayments, deposits and other receivables		**155,401**	32,378
Pledged deposits		**-**	41,400
Cash and cash equivalents		**276,597**	417,903
Total current assets		**1,702,908**	1,674,485
CURRENT LIABILITIES			
Amounts due to minority shareholders		**6,404**	18,077
Trade payables and accrued liabilities	*9*	**174,224**	207,874
Interest-bearing bank borrowings		**805,972**	514,566
Amount due to a related company		**47**	28
Customer deposits		**300,384**	195,825
Dividend payable		**60,036**	-
Tax payable		**55,629**	70,899
Total current liabilities		**1,402,696**	1,007,269
NET CURRENT ASSETS		**300,212**	667,216
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,353,645**	4,482,363
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**1,102,632**	1,342,295
Convertible bonds		**270,948**	262,361
Deferred tax liabilities		**178,710**	147,348
Total non-current liabilities		**1,552,290**	1,752,004
Net assets		**2,801,355**	2,730,359

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

	As at 30 September 2007 (Unaudited)	As at 31 March 2007 (Audited)
	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	**2,160,919**	2,033,928
Proposed final dividend	**-**	60,036
	2,666,031	2,599,076
Minority interests	**135,324**	131,283
Total equity	**2,801,355**	2,730,359

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2007 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 condensed consolidated interim 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 31 March 2007.

Accounting policies

The accounting policies and basis of preparation adopted in the preparation of this unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2007, except in relation to the following new and revised 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 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: 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 adoption of these new and revised accounting standards has had no material impact on the accounting policies of the Group and the methods of computation in the Group's unaudited condensed consolidated interim 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 30 September		Property investment Six months ended 30 September		Others Six months ended 30 September		Consolidated Six months ended 30 September	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	(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	**38,466**	207,971	**30,508**	39,388	**17,348**	13,789	**86,322**	261,148
Segment results	**(1,091)**	41,684	**138,897**	97,271	**4,152**	1,601	**141,958**	140,556
Interest income							**1,272**	4,114
Unallocated gains							**-**	196
Unallocated expenses							**(15,615)**	(14,342)
Excess over the cost of a business combination on acquisition of minority interests in a subsidiary							**-**	51,179
Finance costs							**(41,426)**	(45,099)
Share of profits and losses of jointly-controlled entities	**283**	165	**-**	-	**-**	(4)	**283**	161
Profit before tax							**86,472**	136,765
Tax							**(29,570)**	(24,456)
Profit for the period							**56,902**	112,309

Geographical segments

	Hong Kong Six months ended 30 September		Mainland China Six months ended 30 September		Malaysia Six months ended 30 September		Consolidated Six months ended 30 September	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	(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	**84,190**	50,323	**2,132**	204,991	**-**	5,834	**86,322**	261,148

3. OTHER INCOME

	Six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Bank interest income	**1,190**	1,567
Interest income from mortgage loans receivable	**82**	97
Other interest income	**-**	2,450
Other property management income	**-**	1,843
Gain on disposal of investment properties	**2,019**	2,341
Others	**1,055**	1,108
	4,346	9,406

4. FINANCE COSTS

	Six months ended 30 September 2007 (Unaudited) *HK$'000*	2006 (Unaudited) *HK$'000*
Interest on bank loans, overdrafts and convertible bonds wholly repayable within five years	**64,271**	61,139
Less: Amounts capitalised under property development projects	**(22,845)**	(16,040)
	41,426	45,099

5. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	Six months ended 30 September 2007 (Unaudited) *HK$'000*	2006 (Unaudited) *HK$'000*
Depreciation	**1,347**	1,273
Employee benefits expense (including directors' remuneration)	**11,488**	10,946

6. TAX

	Six months ended 30 September 2007 (Unaudited) *HK$'000*	2006 (Unaudited) *HK$'000*
Group:		
Current – Outside Hong Kong	**1,244**	12,402
Deferred	**28,326**	12,054
Total tax charge for the period	**29,570**	24,456

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 jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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 period attributable to ordinary equity holders of the Company and the number of ordinary shares in issue during the period.

The calculation of diluted earnings per share amounts is based on the profit for the period 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 number of 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 on the deemed conversion of all convertible bonds into ordinary shares.

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

	Six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**56,939**	108,991
Interest on convertible bonds, net of tax	**11,126**	5,572
Bond issue expenses written off, net of tax	**-**	(5,989)
Profit attributable to ordinary equity holders of the Company before interest on convertible bonds	**68,065***	108,574

	Number of shares	
	2007	2006
	(Unaudited)	(Unaudited)
Shares		
Number of ordinary shares in issue during the period used in the basic earnings per share calculation	**480,286,201**	400,238,501
Effect of dilution – weighted average number of ordinary shares: Convertible bonds	**70,000,000**	36,721,311
	550,286,201*	436,959,812

* *Because the diluted earnings per share amount is increased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share for the period. Therefore, no diluted earnings per share amount is disclosed.*

8. TRADE RECEIVABLES

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

	As at 30 September 2007 (Unaudited) ***HK$'000***	As at 31 March 2007 (Audited) *HK$'000*
Within 1 month	**19,353**	25,311
1 to 2 months	**279**	269
2 to 3 months	**153**	46
Over 3 months	**101**	127
Total	**19,886**	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$1,922,000 (as at 31 March 2007: HK$1,216,000). An aged analysis of the trade payables, based on the invoice date, is as follows:

	As at 30 September 2007 (Unaudited) ***HK$'000***	As at 31 March 2007 (Audited) *HK$'000*
Within 1 month	**1,922**	1,216

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2007 (2006: Nil).

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 six months ended 30 September 2007.

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, all the directors have confirmed that they have complied with the required standard as set out in the Model Code during the six months ended 30 September 2007.

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 six months ended 30 September 2007, 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 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).

4. 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.

5. 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 Company's interim results for the six months ended 30 September 2007 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$2,180 million as at 30 September 2007 (as at 31 March 2007: HK$2,119 million), of which approximately 37% of the debts were due and repayable within one year.

Total cash and bank balances including time deposits were HK$277 million as at 30 September 2007 (as at 31 March 2007: HK$459 million). The Group had a total of HK$458 million committed but undrawn banking facilities at period end available for its working capital purpose.

Total shareholders' funds as at 30 September 2007 was approximately HK$2,666 million (as at 31 March 2007: HK$2,599 million). The increase was mainly due to current period's profit attributable to shareholders.

The gearing ratio of the Group, as measured by the net interest-bearing debts of approximately HK$1,903 million over the total shareholders' funds of approximately HK$2,666 million, was 71% as at 30 September 2007 (as at 31 March 2007: 64%).

Subsequent to the period end, the Group entered into an agreement in November 2007 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.

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 utilized 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 period under review, the Group further utilized HK$131 million for general working capital, including the acquisition of the Chongqing land.

Funding and treasury policies

There are no significant changes in the Group's funding and treasury policies. As at 30 September 2007, 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$4,356 million as at 30 September 2007 were pledged to secure certain banking facilities of the Group.

Employees and remuneration policies

The Group, not including its jointly-controlled entities, employed approximately 320 people as at 30 September 2007. 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 30 September 2007 were HK$86 million (2006: HK$261 million) and HK$57 million (2006: HK$109 million), respectively. Earnings per share were HK$0.12 (2006: HK$0.27).

The decrease in turnover was mainly due to minimal turnover contribution from our property development activities during the period. For the same period last year, there was a turnover contribution of HK$205 million from the sales of remaining units of City Square (城市天地廣場), a residential and commercial project in the Luohu District of Shenzhen.

The profit in prior period included a gain of HK$51 million derived from the buyout of minority interests in a subsidiary. The excess of the attributable net assets of the subsidiary over the purchase consideration was recognized as an income in the accounts. Excluding this, the prior period's profit would have been HK$58 million, versus a net profit of HK$57 million in the current period. Profit in both periods included revaluation gain from an increase in fair values of investment properties at period end. The gain, net of deferred taxation, amounted to HK$87 million in the period (2006: HK$57 million).

BOARD CHANGES

On 1 January 2007, Mr. Zuric Yuen-Keung Chan was re-designated as an executive director of the Company. Further, Professor Chang Hsin-Kang was appointed whereas Mr. Patrick Yen-Tse Tsai resigned as an independent non-executive director of the Company, both with effect from 15 November 2007. Pursuant to the board changes, Professor Chang Hsin-Kang was appointed as a member of the audit committee whereas Mr. Kenneth Kin-Hing Lam was appointed as the chairman of the audit committee and a member of the remuneration committee both on 15 November 2007 to fill the casual vacancy arising from the resignation of Mr. Patrick Yen-Tse Tsai.

Taking this opportunity, the Board would like to express its sincere gratitude to Mr. Patrick Yen-Tse Tsai for his guidance and valuable contributions to the Company since 1998 and welcome the appointment of Mr. Zuric Yuen-Keung Chan and Professor Chang Hsin-Kang.

CLUB LOAN

On 22 November 2007, the Group raised a club loan facility of HK$280 million with a syndicate of banks. The facility, consists of a HK$140 million term loan and a HK$140 million revolving credit, has a tenor of 36 months. The Group intends to use the loan proceeds for general working capital purpose, including property acquisition.

REVIEW OF OPERATIONS

Property development

Mainland China

In the prior period, the Group recorded turnover of HK$205 million from sales of residential and office units in City Square (城市天地廣場), which have subsequently been fully sold out prior to 31 March 2007. The remaining assets in City Square (城市天地廣場) are 64 serviced apartment units and a commercial podium, for which the Group is retaining them for investment purpose. As a result, there have been almost no sales activities in the current period. The upcoming projects to be launched to the market for pre-sale in year 2008 are Phase I of Long Dong Cun Project in the Tianhe District of Guangzhou, comprising 8 residential towers with a total saleable area of about 46,000 square meters, and Phase I of Beijing Road Project in the Yuexiu District of Guangzhou, comprising a residential tower with a total saleable area of about 22,000 square meters. Both phases of the projects, at the stage of renovation, are scheduled for completion in the second half of 2008.

On 11 May 2007, the Group entered into agreements to purchase two pieces of adjacent land in Chongqing for HK$102 million. The first land, in which the Group acquired a 100% interest, is a property under construction with two office towers built atop of a commercial podium yielding a total gross floor area of about 108,000 square meters. The project, which construction works have now been completed up to the main roof, is estimated for completion in March 2009. The second land, in which the Group acquired a 50% interest, is a bare land to be constructed into a commercial, hotel and serviced apartment development with a planned gross floor area of about 134,000 square meters. The acquisitions constituted connected transactions to the Company under the Listing Rules, as one of the vendors was a company controlled by Mr. James Sai-Wing Wong, the Chairman of the Group. The acquisitions were approved by the independent shareholders of the Company and completed on 4 July 2007.

Canada

The Group has almost sold out all the condominium units in Phase I of the Toronto project known as One City Hall, in which the Group has a 75% interest. Legal formalities to hand over the sold units to the purchasers were completed in November 2007. The Group would recognize substantial turnover from this project, which currently estimated to be no less than CAD 120 million, in the second half of the current financial year.

Phase II of the Toronto project, in which the Group has a 50% interest, is under submission for an increase in gross floor area.

Hong Kong

As previously reported to our shareholders, the Group purchased a portfolio of 86 strata-title residential units in year 2005. During the period, the Group commenced realizing these residential units and has up to the date hereof disposed 41 units at profit for an aggregate consideration of HK$117 million. Sales of the remaining units remain promising in view of the current buoyant property market. Total sales recognized during the period, including sales of HK$18 million attributable to the remaining units in past-completed projects, amounted to HK$37 million (2006: HK$3 million).

Property investment

Assets disposal

The Group realized its investment in the carparks at Provident Centre (和富中心), North Point and disposed so far 186 carparks from 1 April 2007 up to the date hereof for an aggregate consideration of HK$110 million. Basing on the date of the formal sale and purchase agreement, the Group recognized 14 of these as current period's disposal and booked a gain of HK$2 million. The Group intends to continue the sale of the remaining carparks and profit derived therefrom will be recognized in the current financial year. Apart from the carparks at Provident Centre (和富中心), the Group also owns 141 carparks at the Lido Garden (麗都花園), Sham Tseng and Shining Court (順寧居), Cheung Sha Wan for rental income.

Rental operation

During the period, the Group's investment properties consisted 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), the carparks at Provident Centre (和富中心), Lido Garden (麗都花園) and Shining Court (順寧居), all of which are in Hong Kong, and the commercial podium of City Square (城市天地廣場) in Mainland China. These properties produced a rental income of HK$31 million to the Group (2006: HK$39 million).

The drop in rental income was mainly attributable to Plaza Ampang, a commercial complex in Malaysia, being disposed in December 2006 and the vacation of tenants in the Yien Yieh Commercial Building (鹽業商業大廈) for redevelopment works. The Yien Yieh Commercial Building (鹽業商業大廈) is currently under demolition for redevelopment into a modern commercial/retail development scheduled for completion in December 2010. The Group intends to retain the new Yien Yieh Commercial Building (鹽業商業大廈) for investment purpose and considers that the redevelopment is well merited, as the benefit from increase in rental income and capital value of the property from full utilization of the permitted plot ratio for the site and modernized facilities of the property upon completion would far outweigh the redevelopment cost and opportunity loss of rental over the redevelopment period.

Property management and others

The Group managed a portfolio of about 1,700 carparks in Hong Kong and earned a rental income of HK$13 million in the period (2006: HK$11 million). Other revenue of HK$4 million (2006: HK$3 million) was derived mainly from the lease out of unsold assets.

OVERVIEW

Earlier this month, the People's Bank of China announced the increase of the reserve requirement ratio for commercial banks for the 10th time this year by 1 percentage point to a historical high of 14.5%. Interest rate for loans has, since the beginning of this year, been raised five times with the one-year benchmark rate now at 7.29%. More rate hikes and increases in bank reserve requirement are expected to follow, especially when the consumer price index in November this year has jumped to the 11-year high of 6.9% year-on-year. The Central Government also announced a further tightening of monetary policy in 2008. Bank credits are therefore expected to be significantly reduced to curb excessive loan growth and prevent the economy from being overheated. These together with other austerity measures which may be targeting at high property prices has increased the short-term uncertainties on China real estate market. Yet, the Group remains optimistic on the prospects of the market, as there are not many places in the world the economy of which is enjoying such unprecedented growth. The ongoing urbanization, rising household income, increasing number of middle-class households and the continued appreciation of Renminbi are the pillars supporting the market in the medium to long term. Despite the short-term uncertainties in the market, the Group is confident that development projects on hand will meet or may excel management expectations.

Banks in Hong Kong lowered their prime interest rates by 25 basis point on 13 December 2007, the fourth time this year, to follow suit on the recent interest rate cut in the United States. It is expected that the Federal Funds rate will ease further in the hope that the United States economy can get through the difficult times caused by the softening property market and subprime woes. The interest rates for Hong Kong Dollar, being pegged to the United States Dollar, are likely to be a downward trend in the foreseeable future. Against an inflationary environment caused mainly by the weakening of United States Dollar and hence the Hong Kong Dollar against Renminbi, it is widely believed that Hong Kong will enter into an era of negative real lending rate. This has stimulated the investment demand for property assets, which the Group shall stand to benefit from the quality assets it owns in Hong Kong. The Group, with additional financial resources through various fund raising exercises and in-depth market knowledge, will be aware of any opportunities that may further increase our investment holdings in Hong Kong.

PUBLICATION OF INTERIM REPORT

The Company's interim report for 2007/2008 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.hkex.com.hk and on the website of the Company at www.honkwok.com.hk in due course.

James Sai-Wing Wong
Chairman

Hong Kong, 14 December 2007

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. Chang Hsin-Kang.