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漢國置業有限公司

Hon Kwok Land Investment Company, Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 160)

2009-10 ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

	2010	2009	*Increase / Decrease*	
	HK$'M	*HK$'M*	*HK$'M*	*+ / –*
For the year ended 31 March				
Turnover	**813**	195	*+618*	*+317%*
Profit attributable to shareholders after revaluation on investment properties	**374**	77	*+297*	*+386%*
Basic earnings per share *(in HK cents)*	**78**	16	*+62*	*+388%*
Proposed final dividend per share *(in HK cents)*	**12.5**	12.5		*No change*
At 31 March				
Bank borrowings less bank balances	**1,095**	927	*+168*	*+18%*
Gearing ratio *	**33%**	37%		*-4%*
Shareholders' funds	**3,471**	3,150	*+321*	*+10%*
Net assets per share attributable to shareholders *(in HK$)*	**7.23**	6.56	*+0.67*	*+10%*

* *Representing ratio of "bank borrowings + convertible bonds – bank balances" to "shareholders' funds + minority interests".*

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 2010 together with comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

		For the year ended 31 March	
		2010	2009
	Notes	***HK$'000***	*HK$'000*
Revenue	*2*	**812,584**	194,858
Cost of sales		**(620,020)**	(152,909)
Gross profit		**192,564**	41,949
Other income and gains	*3*	**13,138**	7,609
Fair value gains/(losses) on investment properties, net		**309,650**	(251,189)
Fair value gains on properties held for sale transferred to investment properties		**-**	38,188
Fair value gain on a completed property transferred to investment property		**-**	315,625
Gain on disposal of investment properties		**7,285**	22,252
Gain on repurchase of convertible bonds		**19,199**	-
Gain on disposal of a jointly-controlled entity		**76,922**	-
Administrative expenses		**(60,886)**	(49,513)
Other operating expenses, net		**(22,965)**	(9,743)
Finance costs	*4*	**(23,068)**	(28,619)
Share of profits and losses of jointly-controlled entities		**(473)**	25,239
Profit before tax	*5*	**511,366**	111,798
Income tax expense	*6*	**(107,309)**	(38,678)
Profit for the year		**404,057**	73,120
Attributable to:			
Owners of the Company		**373,866**	76,500
Minority interests		**30,191**	(3,380)
		404,057	73,120
Dividend – proposed final		**60,036**	60,036
Earnings per share attributable to ordinary equity holders of the Company	*7*		
Basic		**HK78 cents**	HK16 cents
Diluted		**HK71 cents**	HK15 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 March	
	2010	2009
	HK$'000	*HK$'000*
Profit for the year	**404,057**	73,120
Other comprehensive income		
Exchange differences on translation of foreign operations	**15,708**	33,695
Release of exchange fluctuation reserve to consolidated income statement upon the disposal of a jointly-controlled entity	**(8,428)**	-
Other comprehensive income for the year, net of tax	**7,280**	33,695
Total comprehensive income for the year	**411,337**	106,815
Attributable to:		
Owners of the Company	**380,942**	107,947
Minority interests	**30,395**	(1,132)
	411,337	106,815

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 31 March 2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**41,995**	26,340
Properties under development		**1,407,522**	1,712,258
Investment properties		**3,746,995**	2,558,115
Interests in jointly-controlled entities		**63**	24,848
Total non-current assets		**5,196,575**	4,321,561
CURRENT ASSETS			
Amounts due from jointly-controlled entities		**25**	178,837
Tax recoverable		**988**	191
Properties held for sale		**148,273**	533,608
Trade receivables	*8*	**18,899**	1,479
Prepayments, deposits and other receivables		**40,904**	26,320
Pledged deposits		**91,200**	-
Cash and cash equivalents		**542,704**	324,455
Total current assets		**842,993**	1,064,890
CURRENT LIABILITIES			
Trade payables and accrued liabilities	*9*	**183,492**	154,242
Interest-bearing bank borrowings		**213,655**	379,091
Promissory note payable		**20,000**	-
Customer deposits		**7,200**	76,191
Tax payable		**71,518**	60,393
Total current liabilities		**495,865**	669,917
NET CURRENT ASSETS		**347,128**	394,973
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,543,703**	4,716,534
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**1,515,409**	872,227
Promissory note payable		**-**	20,000
Convertible bonds		**100,900**	299,475
Deferred tax liabilities		**283,416**	230,544
Total non-current liabilities		**1,899,725**	1,422,246
Net assets		**3,643,978**	3,294,288

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	At 31 March	
	2010	2009
	HK$'000	*HK$'000*
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**480,286**	480,286
Equity component of convertible bonds	**7,802**	24,826
Reserves	**2,922,967**	2,585,037
Proposed final dividend	**60,036**	60,036
	3,471,091	3,150,185
Minority interests	**172,887**	144,103
Total equity	**3,643,978**	3,294,288

Notes:

1. **BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICY AND DISCLOSURES**

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.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKFRS 8 Amendment*	Amendment to HKFRS 8 *Operating Segments: Disclosures – Information about segment assets* (early adopted)
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*

HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)**	Amendments to a number of HKFRSs

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

** The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations - Plan to sell the controlling interest in a subsidiary,* which are effective for annual periods beginning on or after 1 July 2009.

Other than as further explained below regarding the impact of HKAS 1 (Revised), HKFRS 8, HKFRS 8 Amendment and HKAS 40 Amendment (included in Improvements to HKFRSs issued in October 2008), the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

(a) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

(b) HKFRS 8 *Operating Segments* and Amendment to HKFRS 8 *Operating Segments: Disclosures - Information about segment assets*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These revised disclosures are shown in note 2 below.

The Group has early adopted in these financial statements the Amendment to HKFRS 8 issued in *Improvements to HKFRSs 2009* which clarifies that segment assets need only to be reported when those assets are included in measures that are used by the chief operating decision maker.

(c) Amendment to HKAS 40 *Investment Property*

HKAS 40 revises the scope such that property being constructed or developed for future as an investment property is classified as an investment property. The Group has applied the amendment prospectively from 1 April 2009. The Group’s accounting policy for investment properties is to subsequently state them at fair value with changes in fair values recognised in profit or loss. As a result of the amendment, an investment property under construction is carried at fair value at the earlier of when the fair value first becomes reliably determinable and when the construction of the property is completed.

It is determined that the fair value of the Group's investment properties under construction is not reliably determinable until the construction is completed. As a result of the adoption of this amendment, the Group reclassified properties under development of approximately HK$808 million into investment properties.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the property development segment develops properties for sale;

(b) the property investment segment holds investment properties for the generation of rental income; and

(c) the "others" segment comprises, principally, sub-leasing business and property management service business which provide management services to residential and commercial properties.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, share of profits and losses of jointly-controlled entities as well as head office and corporate income and expenses are excluded from such measurement.

Segment assets exclude interests in jointly-controlled entities, amounts due from jointly-controlled entities, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude other unallocated head office and corporate liabilities, including interest-bearing bank borrowings, convertible bonds, tax payable and deferred tax liabilities, as these liabilities are managed on a group basis.

During the current and prior years, there were no intersegment transactions.

	For the year ended 31 March 2010			
	Property development *HK$'000*	**Property investment** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Segment revenue:				
Sales to external customers	**738,767**	**40,317**	**33,500**	**812,584**
Segment results	**151,504**	**337,999**	**(45)**	**489,458**
Reconciliation:				
Interest income				**1,579**
Unallocated gains				**96,230**
Unallocated expenses				**(52,360)**
Finance costs				**(23,068)**
Share of profits and losses of jointly-controlled entities				**(473)**
Profit before tax				**511,366**

	For the year ended 31 March 2009			
	Property development *HK$'000*	Property investment *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue:				
Sales to external customers	110,033	47,539	37,286	194,858
Segment results	(17,044)	157,519	5,285	145,760
Reconciliation:				
Interest income				2,741
Unallocated gains				55
Unallocated expenses				(33,378)
Finance costs				(28,619)
Share of profits and losses of jointly-controlled entities				25,239
Profit before tax				111,798

2. OPERATING SEGMENT INFORMATION *(continued)*

	At 31 March 2010			
	Property development *HK$'000*	**Property investment** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Segment assets	**1,620,256**	**4,008,743**	**1,916,882**	**7,545,881**
Reconciliation:				
Elimination of intersegment receivables				**(2,141,293)**
Interests in jointly-controlled entities				**63**
Amounts due from jointly-controlled entities				**25**
Corporate and other unallocated assets				**634,892**
Total assets				**6,039,568**
Segment liabilities	**1,166,643**	**898,929**	**286,413**	**2,351,985**
Reconciliation:				
Elimination of intersegment payables				**(2,141,293)**
Corporate and other unallocated liabilities				**2,184,898**
Total liabilities				**2,395,590**

	For the year ended 31 March 2010			
	Property development *HK$'000*	**Property investment** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Other segment information:				
Fair value gains on investment properties, net	**-**	**309,650**	**-**	**309,650**
Depreciation	**2,118**	**117**	**1,007**	**3,242**
Capital expenditure *	**594,315**	**111,231**	**1,037**	**706,583**

* Capital expenditure represents additions to property, plant and equipment, properties under development and investment properties.

2. OPERATING SEGMENT INFORMATION *(continued)*

	At 31 March 2009			
	Property development *HK$'000*	Property investment *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment assets	2,284,854	2,802,859	2,100,283	7,187,996
Reconciliation:				
Elimination of intersegment receivables				(2,329,878)
Interests in jointly-controlled entities				24,848
Amounts due from jointly-controlled entities				178,837
Corporate and other unallocated assets				324,648
Total assets				5,386,451
Segment liabilities	1,350,348	956,462	273,501	2,580,311
Reconciliation:				
Elimination of intersegment payables				(2,329,878)
Corporate and other unallocated liabilities				1,841,730
Total liabilities				2,092,163

	For the year ended 31 March 2009			
	Property development *HK$'000*	Property investment *HK$'000*	Others *HK$'000*	Total *HK$'000*
Other segment information:				
Fair value losses on investment properties, net	-	(251,189)	-	(251,189)
Fair value gains on properties held for sale transferred to investment properties	-	38,188	-	38,188
Fair value gain on a completed property transferred to investment property	-	315,625	-	315,625
Depreciation	2,023	136	933	3,092
Capital expenditure *	320,252	14,358	846	335,456

* Capital expenditure represents additions to property, plant and equipment, properties under development and investment properties.

2. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue

	2010	2009
	HK$'000	*HK$'000*
Hong Kong	**133,240**	184,630
Mainland China	**677,818**	3,620
Canada	**1,526**	6,608
	812,584	194,858

The revenue information above is based on the location of the customers.

(b) Non-current assets

	2010	2009
	HK$'000	*HK$'000*
Hong Kong	**1,719,895**	1,381,586
Mainland China	**3,476,617**	2,915,127
	5,196,512	4,296,713

The non-current asset information above is based on the location of the assets and excludes interests in jointly-controlled entities.

Information about a major customer

In the prior year, revenue of HK$71,500,000 was derived from sales of properties to a single customer.

3. OTHER INCOME AND GAINS

	2010 *HK$'000*	2009 *HK$'000*
Bank interest income	**1,579**	2,737
Interest income from mortgage loans receivable	**-**	4
Project consultancy service income	**2,500**	-
Foreign exchange differences, net	**4,317**	776
Others	**4,742**	4,092
	13,138	7,609

4. FINANCE COSTS

	2010 *HK$'000*	2009 *HK$'000*
Interest on bank loans, overdrafts and other loans (including convertible bonds) wholly repayable within five years	**52,036**	69,273
Less: Interest capitalised under property development projects	**(28,968)**	(40,654)
	23,068	28,619

5. PROFIT BEFORE TAX

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

	2010 *HK$'000*	2009 *HK$'000*
Cost of properties sold	**574,458**	107,260
Depreciation	**3,242**	3,092
Minimum lease payments under operating leases on land and buildings	**27,102**	20,123
Auditors' remuneration	**1,767**	1,908
Employee benefit expense (including directors' remuneration):		
Wages, salaries, allowances and benefits in kind	**31,477**	29,325
Pension scheme contributions	**1,153**	1,127
	32,630	30,452
Less: Amounts capitalised under property development projects	**(5,300)**	(8,179)
	27,330	22,273
Gross rental income	**(71,560)**	(82,374)
Less: Outgoing expenses	**45,562**	45,649
	(25,998)	(36,725)
Foreign exchange differences, net	**(4,317)**	(776)
Write-back of provision for a claim	**-**	(5,426)

At the end of the reporting period, the amount of forfeited pension scheme contributions available to the Group for future utilisation was not significant (2009: Nil).

6. INCOME TAX

	2010	2009
	HK$'000	*HK$'000*
Group:		
Current tax		
Overseas profits tax	**877**	1,552
Land appreciation tax	**6,680**	-
Mainland China corporate income tax	**46,880**	-
	54,437	1,552
Deferred tax		
Hong Kong profits tax	**50,600**	(34,489)
Mainland China corporate income tax	**2,272**	71,615
	52,872	37,126
Total tax charge for the year	**107,309**	38,678

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 (2009: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

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, being the proceeds from the sale of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

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

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

The calculation of diluted earnings per share amount 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, net of tax and interest capitalization, if any. The weighted average number of ordinary shares used in the calculation is the 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 calculations of basic and diluted earnings per share are based on:

	2010	2009
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**373,866**	76,500
Interest on convertible bonds, net of tax and interest capitalisation	**-**	6,164
Profit attributable to ordinary equity holders of the Company before interest on convertible bonds	**373,866**	82,664

	Number of shares	
	2010	2009
Shares		
Number of ordinary shares in issue during the year used in the basic earnings per share calculation	**480,286,201**	480,286,201
Effect of dilution – weighted average number of ordinary shares: Convertible bonds	**48,611,318**	71,794,872
	528,897,519	552,081,073

8. TRADE RECEIVABLES

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

	2010	2009
	HK$'000	*HK$'000*
Within 30 days	**18,154**	778
31 to 60 days	**420**	314
61 to 90 days	**311**	228
Over 90 days	**14**	159
Total	**18,899**	1,479

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 monitored 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$29,689,000 (2009: HK$10,155,000). An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2010	2009
	HK$'000	*HK$'000*
Within 30 days	**29,689**	10,155

10. CONTINGENT LIABILITIES

As at 31 March 2010, the Group has given guarantees of HK$251,634,000 (2009: HK$34,556,000) to banks for housing loans extended by the banks to the purchasers of the Group's properties for a period from the date the loans are granted to the purchasers up to the date of issuance of property title certificates to the purchasers.

11. EVENT AFTER THE REPORTING PERIOD

On 8 March 2010, Join Ally Limited, a wholly-owned subsidiary of the Group, as purchaser, entered into a sale and purchase agreement with Enhancement Investments Limited ("Enhancement"), as vendor, for the acquisition of the entire issued share capital of Guru Star Investments Limited and the assignment of related shareholder's loan to the Group at an aggregate cash consideration of HK$144,211,000 (the "Acquisition").

The Acquisition constituted a discloseable and connected transaction to the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as Enhancement is a company controlled by Mr. James Sai-Wing Wong, the Chairman and substantial shareholder of the Company. At the extraordinary general meeting of the Company held on 16 April 2010, the Acquisition was approved by the independent shareholders of the Company.

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 2010 (2009: 12.5 Hong Kong cents) to shareholders whose names appear on the Company's register of members on 2 September 2010. 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 20 September 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 30 August 2010 to 2 September 2010 (both days inclusive), during which period no share transfers will be registered. In order to qualify for the proposed final dividend and to determine the entitlement to attend and vote at the annual general meeting, 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 27 August 2010.

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 2010.

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 throughout the year ended 31 March 2010.

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 2010, 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 2010, the Board met twice for approving the annual results of the Company for the year ended 31 March 2009 and the interim results for the period ended 30 September 2009. 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 2010.

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 does 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.

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 annual results of the Group for the year ended 31 March 2010.

FINANCIAL REVIEW

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to approximately HK$1,830 million as at 31 March 2010 (2009: HK$1,551 million), of which approximately 12% (2009: 24%) of the debts were due and repayable within one year.

Total cash and bank balances including time deposits were approximately HK$634 million as at 31 March 2010 (2009: HK$324 million). The Group had a total of approximately HK$1,019 million committed but undrawn banking facilities at year end available for its working capital purpose.

Total shareholders' funds as at 31 March 2010 were approximately HK$3,471 million (2009: HK$3,150 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$1,196 million (2009: HK$1,227 million) over the shareholders' funds plus minority interests totalling of approximately HK$3,644 million (2009: HK$3,294 million), was 33% as at 31 March 2010 (2009: 37%).

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 and Renminbi and bear interest at floating rates, except for the convertible bonds.

Foreign currency exposure is monitored closely by the management and hedged to the extent desirable. As at 31 March 2010, 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 approximately HK$3,510 million as at 31 March 2010 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 employees as at 31 March 2010. 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 2010, the Group's consolidated turnover and net profit attributable to shareholders amounted to HK$813 million (2009: HK$195 million) and HK$374 million (2009: HK$77 million), respectively. Basic earnings per share were 78 Hong Kong cents (2009: 16 Hong Kong cents). The shareholders' equity as at 31 March 2010 amounted to HK$3,471 million (2009: HK$3,150 million). Net assets per share attributable to shareholders were HK$7.23 (2009: HK$6.56).

The increase in net profit is mainly attributable to the recognition of property sales in Guangzhou and the property revaluation gain, net of deferred tax, of HK$257 million (2009: HK$66 million) during the year.

BUSINESS REVIEW

Acquisitions of properties

Yayao Oasis 雅瑤綠洲, Nanhai, PRC

In view of the potential development value of the project and strong demand of quality residential units in Mainland China, the Group completed acquisition of the remaining 50% interests in a jointly-controlled entity which indirectly holds **Yayao Oasis** together with the related shareholder's loan in March 2010. In connection therewith, the Group's land bank has been enlarged by approximately 136,000 sq.m. The agreed price for the above acquisition was HK$200,000,000 and was agreed at after arm's length negotiations between the parties and by reference to the market value of the development site and the consolidated net asset value of the above jointly-controlled entity as at 31 December 2009. The net amount paid to the seller for the above acquisition was HK$172,493,110 after offsetting the amounts paid by the Group on behalf of the seller for its agreed share of working capital and other costs incurred by the jointly-controlled entity prior to the date of the agreement. For details of the transaction, please refer to the Company's announcement dated 4 March 2010.

Newsun Commercial Building 新光商務大廈 , Guangzhou, PRC

In March 2010, the Group entered into an agreement to acquire **Newsun Commercial Building** via its indirect holding company at an aggregate cash consideration of HK$144,211,000 which was determined by reference to the unaudited consolidated net assets of the aforesaid holding company together with assignment of related shareholder's loan as at 31 January 2010. The property, situated at the junction of Beijing Road, Nanti Er Road and Baqi Er Road, Yue Xiu District, is a completed 20-storey commercial and office building with total gross floor area of approximately 13,000 sq. m. and occupancy rate of approximately 85%. The above acquisition constituted a discloseable and connected transaction for the Company and was subject to the approval of the Company's independent shareholders. Please refer to the Company's announcements dated 8 March 2010 and 16 April 2010 and circular dated 29 March 2010 for details. Subsequent to the year end, the above acquisition was completed on 21 April 2010.

Repurchase of 3.5% Convertible Bonds due June 2011 (the "Bonds")

As disclosed in our Interim Report, out of the principal amount of HK$280 million Bonds issued by a wholly-owned subsidiary of the Company in June 2006, the Group repurchased in late September 2009, an aggregate face value of HK$192 million of the Bonds at par. The repurchased Bonds were subsequently cancelled in October 2009 upon settlement. The above repurchase enables the Group to recognize a gain of about HK$19 million during this financial year under review and save interest charges (3.5% per annum) as well as premium on redemption (approximately 24.5% on face value) on the Bonds, totalling HK$58 million up to maturity.

Property Development and Sales

Botanica Phases 1 & 2 寶翠園一期及二期, Guangzhou, PRC

The **Botanica** is a 40-block high-rise residential project situated in the greenery zone of Tian He District near the Botanical Garden and is scheduled for development and pre-sale by phases. Delivery of all units to purchasers of **Botanica Phase 1 寶翠園一期**, which comprises eight blocks of 332 flats, has been completed during the second half of this financial year under review. Total sales proceeds generated therefrom exceeding RMB367 million.

Construction works for **Botanica Phase 2 寶翠園二期**, which also comprises eight blocks of 420 residential units, are in progress and scheduled to complete by phases in the first to third quarter of 2011. Four blocks of 221 units have been launched to the market for pre-sale by end of April 2010 and approximate 90% has been pre-sold up to the date of this announcement, generated sales proceeds exceeding RMB253 million. The other four blocks are expected to launch for pre-sale by the fourth quarter of 2010.

No. 5 Residence 北京路 5 號公館, Guangzhou, PRC

Located at Beijing Road in Yue Xiu District and in the proximity of the Pearl River, all of the 152 residential units offered for sale have been sold up to the date of this announcement, generated sales proceeds exceeding RMB242 million. Majority of the flats have been handed over to purchasers prior to the financial year end under review.

Li Wan Project 荔灣項目, Guangzhou, PRC

As disclosed in our Interim Report, disposal of the **Li Wan Project 荔灣項目,** in which the Group held 50% interests, was completed on 30 September 2009. The Group's attributable share of the cash consideration and net profit is HK$125 million and approximately HK$77 million respectively.

Yayao Oasis 雅瑤綠洲, Nanhai, PRC

The master development plans of the project with total gross floor area of approximately 272,000 sq.m. have been approved. The development of Phase I comprises semi-detached houses of about 18,000 sq.m. and high-rise apartments of about 116,000 sq.m. Construction works of the semi-detached houses are in progress and scheduled to complete by the end of 2010 and to launch for sale upon completion. Construction works of the high-rise apartments are expected to commence in early 2011.

Property Sales in Hong Kong

Grasping the property boom in Hong Kong during the period under review, especially in the first quarter of 2010, the Group has realized all its remaining unsold second hand residential units and disposed of over 100 carparking spaces. Sales proceeds in aggregate generated therefrom since April 2009 and up to the date of this announcement were in excess of HK$120 million.

Property Investment

Hon Kwok City Commercial Centre 漢國城市商業中心, Shenzhen, PRC

Detailed construction plans of this 128,000 sq. m. commercial/residential tower at Shen Nan Zhong Road 深南中路, Futian District have been approved. Foundation works of this 80-storey signature building are scheduled to commence in the third quarter of 2010 and construction works are expected to complete in 2013. Upon completion, the Group intends to retain a major portion of this building for recurrent rental income.

Chongqing, PRC

Chongqing Hon Kwok Centre 重慶漢國中心, situated in Bei Bu Xin Qu 北部新區, is a twin-tower retail/commercial complex with total gross floor area of 107,802 sq. m. All the three floors of the commercial podium have been leased out for operation of shopping mall and to a retail bank. Leasing for certain office floors has been committed and negotiations for the remaining floors are also in good progress.

The **Phase 2 Project 重慶二期項目,** adjacent to the above completed development and with total gross floor area of 133,502 sq.m., will be developed into a grade A office tower and a 5-star hotel with serviced apartments atop of a retail podium. The master development plans of this project have been approved and detailed design is in progress.

Shenzhen, PRC

Majority of ground level retail shops at commercial podium of **City Square 城市天地廣場** have been leased out. The tenant at entire level 2, which operates as a restaurant, has been opened for business in the first quarter of 2010 and will benefit the guests of our 159-room **City Bauhinia Hotel 城市寶軒酒店** which is under renovation at levels 3 to 5 of the podium and expected to complete by the third quarter of 2010. The occupancy rate of our existing 64 serviced apartments at **City Suites 寶軒公寓,** situated on top of the podium, is satisfactory.

Guangzhou, PRC

City Bauhinia Hotel (Guangzhou) 廣州城市寶軒酒店 situated at Jie Fang Nan Road, Yue Xiu District, is a leasehold property of the Group and being upgraded and refurbished into a 166-room hotel. The renovation works are substantially completed and soft opening is scheduled to be in the third quarter of 2010.

Hong Kong

Renovation works for conversion of the four office podium floors of **The Bauhinia/Honwell Commercial Centre 寶軒及漢貿商業中心** at Des Voeux Road Central to a 42-room boutique hotel named as **"The Bauhinia Hotel (Central) 中環寶軒酒店"**, are scheduled to complete in the third quarter of 2010. Ground floor areas are now occupied by a retail bank and a restaurant. **The Bauhinia 寶軒,** a 171-room serviced apartment on top of the podium and of which the interior refurbishment works have been substantially finished, currently enjoys an occupancy rate of approximately 90% for those available units.

In respect of **Knutsford Place 諾士佛廣場** (formerly known as **"Hon Kwok TST Centre 漢國尖沙咀中心"**) in Tsimshatsui, conversion works of 9 upper floors to a 44-room boutique hotel, known as **"The Bauhinia Hotel (TST) 尖沙咀寶軒酒店"**, have been completed pending verification of workdone and issuance of hotel licence by the relevant authorities. The soft opening is expected in the third quarter of 2010. Leasing negotiations for other commercial and office floors have been commenced and in order to enhance the overall rental yield on this upgraded property, a scheduled tenant mix to include retail tenants will be implemented.

Hon Kwok Jordan Centre 漢國佐敦中心, a 23-storey commercial and office building situated at Hillwood Road, has already changed its tenant mix to include bars, beauty saloons and private clubs etc. in prior years. Both the rental yield and occupancy rate maintain at a satisfactory level.

"The Bauhinia 寶軒" Group of Hotels and Serviced Apartments

The operation of the above hotel and serviced apartment rooms, in aggregate of 646, will be under **"The Bauhinia 寶軒"** brand and will cater for the accommodation needs for short-stay or longer term tourists and/or business travellers in Hong Kong, Shenzhen and Guangzhou. The location of the aforesaid guest rooms is summarized as follows:

	Hotel Rooms	Serviced Apartment Rooms	Total
Hong Kong	86	171	257
Shenzhen	159	64	223
Guangzhou	166	-	166
	411	**235**	**646**

The above hotel rooms, upon completion of renovation and in full operation, and coupled with the scheduled tenant mix for office floors of the above investment properties to be implemented, will enhance the Group's rental income in the years ahead.

OUTLOOK

Mainland China's gross domestic product jumped 11.9% in the first quarter of 2010 from the same period last year, the fastest quarterly expansion in three years. The consumer price index also rose to a 19-month high of 3.1% in May 2010 which exceeded the government's full-year target of 3%. The above data indicates that the economic growth of Mainland China is sustainable. Inflation however, looks set to claw its way back with a rebound of food and energy prices under the renewed pressure of currency appreciation which may lead to inflated asset prices.

In order to bring about stabilized property prices and healthy development of the real estate market, commencing April 2010, the Central Government announced a number of tightening measures to cool down the overheated property market. In connection therewith, property transactions dipped in major cities, indicating that cooling measures are starting to take effect.

The economic downturn in the United States has been gradually stabilized under the continued stimulus measures whereas impact of the Euro Zone's debt crisis remains unclear. However, under appropriate tightening of monetary policy, its impact on Mainland China and Hong Kong appears to be limited.

Owing to uncertainties in the global economy, the Central Government is expected to postpone the introduction of further drastic tightening measures, such as an interest rate hike and would not withdraw its stimulus measures but instead, adopt a moderate monetary policy. Moreover, the People's Bank of China recently announced a more flexible currency policy which anticipates to enhance the global economic recovery. Despite the promulgation of tightening measures by the Central Government, our Management is optimistic about the mainland property market under the urbanization scheme which gives rise to continued demand for homes from fresh university graduates as well as farmers and workers migrating from rural to urban areas.

Under the low interest rate environment in Hong Kong, the Group will be seeking opportunities to increase our property investments in Hong Kong for recurrent rental income whilst will continue our corporate strategy to expand our property developing business in Mainland China.

James Sai-Wing Wong
Chairman

Hong Kong, 8 July 2010

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. Yuen-Keung Chan and Mr. Xiao-Ping Li and the independent non-executive directors are Dr. Daniel Chi-Wai Tse, Mr. Kenneth Kin-Hing Lam and Professor Hsin-Kang Chang.