



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 2007

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 2007 together with comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	For the year ended 31 March	
		2007 HK\$'000	2006 HK\$'000
Revenue	2	392,218	1,059,427
Cost of sales		<u>(269,157)</u>	<u>(736,109)</u>
Gross profit		123,061	323,318
Other income	3	12,824	12,814
Fair value gains on investment properties, net		190,613	243,657
Change in fair value of completed properties transferred to investment properties		-	220,661
Gain on disposal of subsidiaries		-	56,161
Gain on disposal of investment properties		9,443	-
Excess over the cost of a business combination on acquisition of minority interests in a subsidiary		51,179	-
Administrative expenses		(58,032)	(42,727)
Other operating expenses, net		(74,244)	(3,499)
Finance costs	4	(87,816)	(63,438)
Share of profits and losses of jointly-controlled entities		<u>122</u>	<u>219</u>
Profit before tax	5	167,150	747,166
Tax	6	<u>(61,713)</u>	<u>(162,520)</u>
Profit for the year		<u>105,437</u>	<u>584,646</u>
Attributable to:			
Equity holders of the Company		101,401	519,754
Minority interests		<u>4,036</u>	<u>64,892</u>
		<u>105,437</u>	<u>584,646</u>
Dividend – proposed final		<u>60,036</u>	<u>44,026</u>
Earnings per share attributable to ordinary equity holders of the Company			
Basic	7	<u>HK\$0.24</u>	<u>HK\$1.30</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED BALANCE SHEET

	As at 31 March	
	2007	2006
Notes	HK\$'000	HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	25,490	23,540
Properties under development	1,533,280	1,209,884
Investment properties	2,034,341	1,971,631
Investment deposits	187,847	-
Interests in jointly-controlled entities	34,189	29,357
	<u>3,815,147</u>	<u>3,234,412</u>
Total non-current assets		
CURRENT ASSETS		
Amounts due from jointly-controlled entities	141,539	129,257
Tax recoverable	62	456
Properties held for sale	1,015,450	988,871
Trade receivables	25,753	127,346
Prepayments, deposits and other receivables	32,378	63,201
Loans to minority shareholders	-	86,114
Pledged deposits	41,400	40,200
Cash and cash equivalents	417,903	406,454
	<u>1,674,485</u>	<u>1,841,899</u>
Total current assets		
CURRENT LIABILITIES		
Amounts due to minority shareholders	18,077	76,674
Trade payables and accrued liabilities	207,874	195,639
Interest-bearing bank borrowings	514,566	395,168
Amount due to a related company	28	2,478
Customer deposits	195,825	126,868
Tax payable	70,899	51,914
	<u>1,007,269</u>	<u>848,741</u>
Total current liabilities		
NET CURRENT ASSETS	<u>667,216</u>	<u>993,158</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	4,482,363	4,227,570
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	1,342,295	1,775,807
Convertible bonds	262,361	-
Deferred tax liabilities	147,348	103,446
	<u>1,752,004</u>	<u>1,879,253</u>
Total non-current liabilities		
Net assets	<u><u>2,730,359</u></u>	<u><u>2,348,317</u></u>

CONSOLIDATED BALANCE SHEET (Continued)

	As at 31 March	
	2007	2006
	HK\$'000	HK\$'000
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	480,286	400,239
Equity component of convertible bonds	24,826	-
Reserves	2,033,928	1,610,565
Proposed final dividend	60,036	44,026
	<u>2,599,076</u>	<u>2,054,830</u>
Minority interests	<u>131,283</u>	<u>293,487</u>
Total equity	<u>2,730,359</u>	<u>2,348,317</u>

Notes:

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

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the 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.

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

2. SEGMENT INFORMATION

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

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 2007 and 2006.

	Property development		Property investment		Others		Consolidated	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Segment revenue:								
Sales to external customers	290,545	970,198	73,334	77,264	28,339	11,965	392,218	1,059,427
Segment results	49,970	484,758	185,923	294,671	3,880	1,738	239,773	781,167
Interest income							7,151	6,286
Unallocated gains							228	623
Unallocated expenses							(43,487)	(33,852)
Finance costs							(87,816)	(63,438)
Gain on disposal of subsidiaries							-	56,161
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	122	502	-	-	-	(283)	122	219
Profit before tax							167,150	747,166
Tax							(61,713)	(162,520)
Profit for the year							105,437	584,646

	Property development		Property investment		Others		Eliminations		Consolidated	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Assets and liabilities										
Segment assets	2,807,155	2,485,932	2,042,960	1,990,630	2,427,062	2,275,166	(2,422,638)	(2,281,141)	4,854,539	4,470,587
Interests in jointly-controlled entities	34,189	29,357	-	-	-	-	-	-	34,189	29,357
Amounts due from jointly-controlled entities	141,539	129,257	-	-	-	-	-	-	141,539	129,257
Unallocated assets									459,365	447,110
Total assets									5,489,632	5,076,311
Segment liabilities	1,725,850	1,578,929	1,086,933	1,005,243	13,582	21,954	(2,422,638)	(2,281,141)	403,727	324,985
Unallocated liabilities									2,355,546	2,403,009
									2,759,273	2,727,994
Other segment information:										
Depreciation	1,865	919	122	130	609	352	-	-	2,596	1,401
Fair value gains on investment properties, net	-	-	190,613	243,657	-	-	-	-	190,613	243,657
Change in fair value of completed properties transferred to investment properties	-	220,661	-	-	-	-	-	-	-	220,661
Release of exchange fluctuation reserve upon disposal of business of foreign operations	-	-	60,834	-	-	-	-	-	60,834	-
Capital expenditure	957	1,706	18	154	2,500	784	-	-	3,475	2,644

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 2007 and 2006.

	Hong Kong		Mainland China		Malaysia		Canada		Eliminations		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	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	<u>103,496</u>	123,045	<u>280,055</u>	925,518	<u>8,667</u>	10,864	-	-	-	-	<u>392,218</u>	1,059,427
Other segment information:												
Segment assets	<u>3,233,687</u>	2,813,774	<u>2,562,389</u>	2,492,111	<u>3,820</u>	145,858	<u>790,357</u>	604,212	<u>(1,100,621)</u>	(979,644)	<u>5,489,632</u>	5,076,311
Capital expenditure	<u>2,518</u>	926	<u>957</u>	1,706	-	12	-	-	-	-	<u>3,475</u>	2,644

3. OTHER INCOME

	2007	2006
	HK\$'000	HK\$'000
Bank interest income	6,952	2,481
Interest income from mortgage loans receivable	199	180
Other interest income	-	3,625
Other property management income	2,843	3,542
Others	2,830	2,986
	<u>12,824</u>	<u>12,814</u>

4. FINANCE COSTS

	2007	2006
	HK\$'000	HK\$'000
Interest on:		
Bank loans, overdrafts and other loans (including convertible bonds) wholly repayable within five years	124,508	79,849
Bank loans wholly repayable after five years	-	2,891
	<u>124,508</u>	<u>82,740</u>
Less: Amounts capitalised under property development projects	<u>(36,692)</u>	<u>(19,302)</u>
	<u>87,816</u>	<u>63,438</u>

5. PROFIT BEFORE TAX

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Cost of properties sold	221,894	701,317
Depreciation	2,596	1,401
Minimum lease payments under operating leases on land and buildings	1,853	1,367
Auditors' remuneration	1,586	1,533
Employee benefits expense (including directors' remuneration):		
Wages, salaries, allowances and benefits in kind	25,686	16,864
Pension scheme contributions	982	841
	<u>26,668</u>	<u>17,705</u>
Gross rental income	(98,902)	(86,571)
Less: Outgoing expenses	47,263	34,792
	<u>(51,639)</u>	<u>(51,779)</u>
Write-down of properties held for sales to net realisable value	7,000	-
Release of exchange fluctuation reserve upon disposal of business of foreign operations	60,834	-

6. TAX

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Group:		
Current tax		
Hong Kong profits tax	-	62
Overseas profits tax	1,496	351
Mainland China corporate income tax	10,811	27,141
Mainland China land appreciation tax	9,441	35,629
	<u>21,748</u>	<u>63,183</u>
Deferred tax		
Hong Kong profits tax	26,075	21,285
Overseas profits tax	(1,421)	125
Mainland China corporate income tax	15,311	21,675
Mainland China land appreciation tax	-	56,252
	<u>39,965</u>	<u>99,337</u>
Total tax charge for the year	<u>61,713</u>	<u>162,520</u>

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. Last year's Hong Kong profits tax was provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during that year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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 the convertible bonds into ordinary shares.

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	101,401	519,754
Interest on convertible bonds, net of tax	16,081	-
Profit attributable to ordinary equity holders of the Company before interest on convertible bonds	117,482*	519,754
<u>Shares</u>		
	Number of shares	
	2007	2006
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	427,213,479	400,238,501
Effect of dilution – weighted average number of ordinary shares: Convertible bonds	53,315,068	-
	480,528,547*	400,238,501

* 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 year. Therefore, no diluted earnings per share amount is disclosed.

No diluted earnings per share for the year ended 31 March 2006 was computed as there was no diluting event during that year.

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:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Within 1 month	25,311	126,529
1 to 2 months	269	570
2 to 3 months	46	228
Over 3 months	127	19
Total	25,753	127,346

Monthly rent in respect of leased properties is payable in advance by the tenants pursuant to the terms of the tenancy agreements. The balance of 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\$1,216,000 (2006: HK\$3,703,000). An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Within 1 month	<u>1,216</u>	<u>3,703</u>

10. POST BALANCE SHEET EVENT

On 11 May 2007, the Group entered into two separate agreements to acquire the entire issued share capital of Unity Wise International Limited (“Unity Wise”) and the related shareholders’ loans for a cash consideration of HK\$90 million and 50% of the issued share capital of Ample Joy International Limited (“Ample Joy”) and the related shareholder’s loan for a cash consideration of HK\$12 million. The assets of significance held by Unity Wise and Ample Joy are two adjacent pieces of land in Chongqing, the PRC. Both acquisitions constituted connected transactions for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) as Enhancement Investments Limited, a vendor in both agreements, is deemed as a connected person of the Company. The acquisitions were completed on 4 July 2007.

DIVIDEND

The Directors recommend the payment of a final dividend of 12.5 Hong Kong cents per share for the year ended 31 March 2007 (2006: 11 Hong Kong cents) to shareholders whose names appear on the Company’s register of members on 14 September 2007. It is expected that the dividend cheques will be despatched to shareholders on or before 3 October 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 11 September 2007 to 14 September 2007 (both days inclusive), during which period no share transfers will be registered. In order to qualify for the final dividend, all transfers accompanied by relevant share certificates must be lodged with Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong by not later than 4:30 p.m. on 10 September 2007.

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 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 throughout the year ended 31 March 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 year ended 31 March 2007, except for the following deviations:

1. CG Code provision A.1.1 stipulates that the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals.

During the year ended 31 March 2007, the Board met twice for approving the final results of the Company for the year ended 31 March 2006 and the interim results for the period ended 30 September 2006. 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 2007.

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.

Audit Committee

Regular meetings have been held by the Audit Committee of the Company since its establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal control. The Audit Committee has reviewed with management and the external auditors the final results of the Group for the year ended 31 March 2007.

FINANCIAL REVIEW

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to HK\$2,119 million as at 31 March 2007 (2006: HK\$2,171 million), of which approximately 24% of the debts were due and repayable within one year.

Total cash and bank balances including time deposits were HK\$459 million as at 31 March 2007 (2006: HK\$447 million). The Group had a total of HK\$517 million committed but undrawn banking facilities at year end available for its working capital purpose.

Total shareholders' funds as at 31 March 2007 was approximately HK\$2,599 million (2006: HK\$2,055 million). The increase was mainly due to current year's profit attributable to shareholders and an increase in capital base of the Company through the share placement in November 2006.

The gearing ratio of the Group, as measured by the net interest-bearing debts of approximately HK\$1,660 million over the total shareholders' funds of approximately HK\$2,599 million, was 64% as at 31 March 2007 (2006: 84%).

During the year, the Company raised net cash proceeds of HK\$273 million from the issue of convertible bonds in June 2006, HK\$315 million from the share placement in November 2006 and HK\$150 million from the disposal of Plaza Ampang in December 2006. These events have improved the financial position of the Group and provided additional cash resources for the Group's property activities in Hong Kong and Mainland China.

Use of proceeds from share placement

As announced, the net cash proceeds of HK\$315 million from the share placement in November 2006 was intended for general working capital of the Group including the acquisition of land bank. Pending such utilization, the proceeds could be applied to reduce the Group's borrowings.

Up to 31 March 2007, the Group utilized HK\$65 million for general working capital of the Group, applied HK\$130 million for temporary repayment of bank borrowings and retained HK\$120 million as cash and bank balances.

Funding and treasury policies

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

Acquisition and development of properties are financed partly by internal resources and partly by 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 2007, the Group had no material exposure under foreign exchange contracts or any other hedging instruments.

Pledge of assets

Properties and bank balances with an aggregate carrying value of HK\$3,954 million as at 31 March 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 300 employees as at 31 March 2007. 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.

CONSOLIDATED RESULTS

The Group's turnover and profit attributable to the shareholders of the Company for the year ended 31 March 2007 were HK\$392 million (2006: HK\$1,059 million) and HK\$101 million (2006: HK\$520 million), respectively. Basic earnings per share were HK\$0.24.

The shareholders' equity was HK\$2,599 million as at 31 March 2007 (2006: HK\$2,055 million). Net assets per share attributable to the shareholders of the Company were HK\$5.4.

CORPORATE EVENTS

The followings are the major corporate events of the Group since 1 April 2006:

Sale of a non-core property

On 12 June 2006, the Group entered into an agreement to dispose Plaza Ampang, a commercial and shopping complex in Kuala Lumpur, Malaysia, for a cash consideration of MYR 70 million. Early completion of the transaction took place on 11 December 2006 with net cash proceeds of HK\$150 million being realized. For details of the disposal, please refer to the Company's announcement dated 12 June 2006 and circular to the shareholders dated 4 July 2006.

Issue of convertible bonds

On 27 June 2006, the Group issued convertible bonds due June 2011 at par to five institutional investors including Morgan Stanley for a principal sum of HK\$280 million (the “Bonds”). The Bonds are guaranteed by the Company and bear interest at the rate of 3.5% per annum, payable semi-annually in arrears. There was no conversion of the Bonds up to the date hereof. Should the bondholders exercise in full their conversion rights at the current conversion price of HK\$4 per share, an additional 70 million new shares of the Company (representing 15% of the existing share capital of the Company) would be issued to the bondholders. The Bonds raised net cash proceeds of about HK\$273 million, of which the Group has fully applied for payment of land costs. For details of the terms of the Bonds, please refer to the Company’s announcement dated 20 June 2006.

Issue of new shares

On 15 November 2006, the Company has arranged a top-up placing of 80,047,700 new shares of the Company through The Hongkong and Shanghai Banking Corporation Limited to institutional investors at a price of HK\$4.05 each. The share placement was completed on 29 November 2006 and raised net cash proceeds of about HK\$315 million for general working capital including land bank acquisitions. For details of the transaction, please refer to the Company’s announcement dated 16 November 2006.

Acquisition of Chongqing properties

On 11 May 2007, the Group entered into two agreements to purchase two pieces of adjacent land in a new district in the northern part of Chongqing by way of share purchase. The first piece of land is a site under construction with a site area of about 22,000 square meters and a gross floor area of about 108,000 square meters (the “First Land”). The development upon completion will comprise two 21-storey office towers on top of a 4-storey commercial podium with carpark facilities. The Group purchased 100% interest in the First Land for a cash consideration of HK\$90 million. The second piece of land is a bare land with a site area of about 12,000 square meters and a planned gross floor area of about 134,000 square meters (the “Second Land”). The plan is to build the land into a high-rise commercial development comprising office, hotel and serviced apartment. The Group purchased 50% interest in the Second Land for a cash consideration of HK\$12 million.

The acquisitions constituted discloseable and connected transactions to the Company under the Listing Rules, as a vendor in the acquisitions was a company controlled by the Group’s Chairman, Mr. James Sai-Wing Wong. The acquisitions were approved by the independent shareholders of the Company on 27 June 2007, with completion subsequently took place on 4 July 2007. For details of the acquisitions, please refer to the Company’s announcement dated 11 May 2007, circular to the shareholders dated 11 June 2007 and announcement dated 27 June 2007.

REVIEW OF OPERATIONS

Property development

Mainland China

City Square, a residential and commercial development in the Luo Hu District of Shenzhen, has been well received by the market. The Group sold out all remaining residential and office units in the project during the year and generated sales of HK\$279 million.

The Group has been prudent and selective in acquiring land banks for property development. During the year, the Group acquired two pieces of land in the Yue Xiu District of Guangzhou with a total gross floor area of about 70,000 square meters. The two pieces of land in Chongqing, acquired in July 2007, have in total a gross floor area of 242,000 square meters. Up to the date hereof, the Group, including its jointly controlled entities, has 8 projects under development in the Guangdong Province and Chongqing as below.

Location	Number of projects	Approximate total Gross Floor Area (“GFA”) (sq.m.)
Guangzhou	4	667,000
Nanhai	1	248,000
Shenzhen	1	128,000
Chongqing	2	242,000
Total	<u>8</u>	<u>1,285,000</u>

These projects, in different stages of development progress, would be sufficient for the Group’s property development activities in the next four years.

For the year ending 31 March 2008, the Group plans to launch Phase I of Long Dong Cun Project in the Tian He District of Guangzhou and Phase I of Beijing Road Project in the Yue Xiu District of Guangzhou for presale. The superstructure works for Phase I of Long Dong Cun Project, comprising 8 residential blocks of 453 units with a total saleable GFA of about 46,000 square meters, and Phase I of Beijing Road Project, comprising a residential block of 160 units with a total saleable GFA of about 20,000 square meters, have been substantially completed.

Canada

Construction works for Phase I of the Toronto project, comprising a 16-storey building with 526 residential units and carpark facilities, have been substantially completed for purchasers’ interim occupancy in December 2006. The remaining works for the building amenities are in progress. It is expected that the formalities for transferring the legal title of the condominium units to the purchasers would be completed in September 2007. By then, the Group will recognize turnover and profit from sale of the project in the income statement. As of 31 March 2007, the Group has pre-sold about 90% of the units and received deposits of CAD 29 million out of the total sales proceeds of CAD 118 million.

Property investment

The Group’s investment properties in Hong Kong consist of the Bauhinia Apartments/Honwell Commercial Centre, Yien Yieh Commercial Building, Hon Kwok Jordan Centre, Hon Kwok TST Centre and three lots of carparks. These properties contributed a rental income of HK\$65 million to the Group.

During the year, the Group took active steps to enhance the value of our investment properties. In September 2006, the Group served notices to the tenants of Yien Yieh Commercial Building requesting them to quit their tenancies under the tenancy agreements to facilitate redevelopment of the property. The redeveloped property, comprising retail, commercial and office, will command additional floor area and increased rent per square feet. It is the intention of the Group to continue holding the redeveloped property for investment purpose. Demolition works will soon commence once we receive permits from the government for hoarding erection and demolition of the existing building.

The Group has obtained alternation and addition approvals to build additional gross floor area of about 2,400 square feet for Hon Kwok Jordan Centre and Hon Kwok TST Centre. The Group has plans to further enhance the value of these two properties by converting certain office floors into commercial uses including retail, food and beverages. In conjunction with the alteration works to build the extra gross floor area, there would be exterior façade upgrades and refurbishment on the lobby and common areas. Occupancies are temporarily affected for the time being to pave way for these works, which are envisaged to be completed in September 2007 for Hon Kwok TST Centre and in December 2007 for Hon Kwok Jordan Centre.

The Bauhinia, our serviced apartment in Des Voeux Road Central, has been enjoying high occupancies in view of its unique location just above the Sheung Wan MTR Station and convenience of access to the Hong Kong Airport Express Station and Macau Ferry Terminal. There are potentials in enhancing the value of Honwell Commercial Centre, the office and retail podium of the Bauhinia. At present, the Group is considering various alternatives to renovate and upgrade the podium to command a higher rental.

Property revaluation

The Group's investment property portfolio as at 31 March 2007 comprised the investment properties in Hong Kong and the commercial podium of City Square in the Luo Hu District of Shenzhen. These properties were fair valued at year end, which resulted in a gain of HK\$150 million, net of deferred tax, in the year.

OVERVIEW

During the year under review, the Central Government imposed a series of measures to cool the Mainland property market. These include tightening of bank credit, raising interest rates as well as increasing the capital reserve ratio requirement for commercial banks, requiring at least 70% of residential projects approved or constructed on or after 1 June 2006 be consisted of units with a gross floor area of less than 90 square meters per unit, imposing a business tax levy on the entire sales proceeds from re-sale of properties if the holding period is less than five years. The Central Government also announced in January 2007 the enforcement of the Land Appreciation Tax, a tax which has been dealt with in full in the Group's financial statements. It is widely believed that the purpose of these measures is to regulate the property market from being overheated and to ensure residential prices are within the affordability of the general public. The fundamentals of the Mainland property market remain solid on the back of continued economic growth, increasing urbanization and rising household income in Mainland China and the anticipated appreciation of Renminbi.

The Group's property development focus has been shifted to Mainland China since 2004. We have established ourselves as a niche player in the southern part of Mainland China with demonstrated record in purchasing land in prime location and delivering quality properties to the consumers. Recently, the Group made acquisitions in Chongqing, the fourth municipality after Beijing, Shanghai and Tianji in Mainland China, having a population in excess of 30 million people. The austerity measures related to property market imposed by the Central Government would obviously affect all real estate companies with business in Mainland China. More recent measures would further restrict investments by foreign capital especially in major cities and our company can be of no exception. However, the Group remains optimistic about the future of property business in Mainland China and will seek investment opportunities to enlarge its land bank in secondary cities.

PUBLICATION OF FINANCIAL INFORMATION

This results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk under “Latest Listed Companies Information” and on the website of the Company at www.honkwok.com.hk. The Company’s annual report for 2006/2007 will be despatched to the shareholders of the Company and available on the above websites in due course.

James Sai-Wing Wong
Chairman

Hong Kong, 12 July 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 Mr. Daniel Chi-Wai Tse, Mr. Patrick Yen-Tse Tsai and Mr. Kenneth Kin-Hing Lam.