

CONSOLIDATED RESULTS

I am pleased to report that the Group's audited consolidated profit attributable to shareholders for the year ended 31st March, 2006 recorded a significant growth of 126% to HK\$519.8 million (2005: HK\$229.6 million). Earnings per share improved substantially to HK\$1.30 (2005: HK\$0.57). Audited net asset value per share increased to HK\$5.13 as compared with HK\$3.85 last year.

DIVIDEND

The Directors recommend the payment of a final dividend of 11 cents per share for the year ended 31st March, 2006 (2005: 8 cents) to shareholders whose names appear on the Company's register of members on 20th September, 2006. It is expected that the dividend cheques will be despatched to shareholders on or before 5th October, 2006.



Project at 17-43 Beijing Nan Road, Guangzhou, Guangdong Province, PRC

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 15th September, 2006 to 20th September, 2006 (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 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong by not later than 4:30 p.m. on 14th September, 2006.

CORPORATE EVENTS

Issue of convertible bonds

On 27th June, 2006, Hon Kwok Land Treasury IV Limited, a wholly-owned subsidiary of the Company, issued convertible bonds due June 2011 at par to five institutional investors 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. The bondholders have the rights, at any time on or after 27th July, 2006 up to and including the seventh business date prior to 27th June, 2011 to convert the Bonds into equity shares of the Company with a nominal value of HK\$1 each at an initial conversion price of HK\$4 per share, subject to adjustments in certain events. For details, please refer to the Company's announcement dated 20th June, 2006.

Sale of a non-core property

On 12th June, 2006, the Group entered into a formal agreement for sale of our commercial and shopping complex, known as Plaza Ampang in Kuala Lumpur, Malaysia for a sum of Ringgit Malaysia 70 million (equivalent to HK\$142.1 million). Deposits in an aggregate amount of Ringgit Malaysia 3.5 million (equivalent to HK\$7.1 million) were received upon signing of the agreement and completion is scheduled to take place on or before 12th December, 2006. For details, please refer to the Company's announcement dated 12th June, 2006 and circular to the shareholders dated 4th July, 2006.



Site at the junction of Shen Nan Zhong Road and Fu Ming Road, Shenzhen, Guangdong Province, PRC

Property development joint venture in the Nanhai District, Foshan

On 17th December, 2005, the Group as vendor entered into an agreement with a Morgan Stanley real estate fund as purchaser for the sale and purchase of 50% of the issued share capital of Floralmist Holdings Ltd. ("Floralmist"), a wholly-owned subsidiary of the Company, together with associated shareholder's loan for a cash consideration of RMB133,920,000 (equivalent to about HK\$128.8 million). Floralmist owned 80% equity interest in Foshan Nanhai XinDa Land Development Ltd., which in turn is the owner of a piece of vacant land in the Nanhai District of Foshan having a site area of 247,987 square meters. The land, permitted for low-density residential development at a plot ratio of not exceeding 1, was valued to be RMB267,840,000 (equivalent to HK\$257.6 million) as at the date of the agreement. Completion of the sale and purchase took place on 28th February, 2006 subsequent to the Group acquiring the remaining 20% equity interest in Foshan Nanhai XinDa Land Development Ltd. For details, please refer to the Company's announcements dated 20th December, 2005 and 25th January, 2006 and circulars to the shareholders dated 11th January, 2006 and 16th February, 2006.

Property development joint venture in the Liwan District, Guangzhou

On 21st October, 2005, the Group as vendor entered into an agreement with Gateway China Fund I, a real estate fund, as purchaser for the sale and purchase of 50% of the issued share capital of Rich Central Limited ("Rich Central"), a wholly-owned subsidiary of the Company, together with associated shareholder's loan for a cash consideration of HK\$45,658,619. Rich Central, through its wholly-owned subsidiaries, owns a piece of vacant land in the Liwan District

of Guangzhou having a site area of 4,817 square meters and a gross floor area of 46,494 square meters. The consideration was determined by reference to the auctioned price of RMB90,500,000 (equivalent to about HK\$87 million) paid by the Group in July 2005. Completion of the sale and purchase took place on 28th October, 2005. For details, please refer to the Company's announcement dated 21st October, 2005 and circular to the shareholders dated 14th November, 2005.



Construction site of Long Dong Cun at Guangshan Road Western, Tianhe District, Guangzhou, Guangdong Province, PRC

CORPORATE STRATEGY

As I reported in my Chairman's Statement for the year ended 31st March, 2005, your Group sold the entire issued share capital of an off-shore company in September 2004 which owned a piece of vacant site at Diamond Hill, Kowloon. The site was the last remaining development project of your Group in Hong Kong.

At present, your Group focuses all property development activities on major cities in Southern China, namely, Shenzhen, Guangzhou and cities in the Pearl River Delta but we do not rule out the possibility to expand further to other cities as opportunities arise. As at 31st March, 2006, the Group, including its jointly-controlled entities, has land bank with a total buildable area of about 1,000,000 square meters and completed properties with a total gross floor area of about 50,000 square meters. It is the strategy of your Group to replenish and enlarge our land bank in China through further acquisitions with a view to establishing a larger platform in the coming years.

Your Group has decided not to engage in further property development in Hong Kong for the time being, simply because the opportunities available requires greater capital than your Group can manage at this stage. However, your Group still owns a decent investment property portfolio, comprising retail/commercial buildings, serviced apartments and car parking spaces, all situated at prime locations in Hong Kong for recurrent rental income. Under the current property market conditions, it is expected that these properties will stand to benefit from potential capital appreciation. We intend to enlarge our investment property portfolio further when opportunities arise.

CHANGE OF DIRECTORS

On 31st December, 2005, Mr. William Chung-Yue Fan resigned as a non-executive director of the Company. Taking this opportunity, the Board would like to express its gratitude for his valuable contribution to the Company since 1985.

On 1st January, 2006, Mr. Dennis Kwok-Wing Cheung was appointed as executive director of the Company. Mr. Cheung joined the Group in 1995 and is primarily in charge of the Group's property activities in Mainland China. The Board expresses its warmest welcome to Mr. Cheung on his promotion.

REVIEW OF OPERATIONS

Property Development

Mainland China

City Square (城市天地廣場), a residential and commercial development in Luo Hu District, Shenzhen, was completed with the occupation permit issued in June 2005. The development comprises six towers of 2,262 units erected on an 8-storey commercial podium. The units were launched to the market for pre-sale in June 2004, with the commercial podium being retained for investment purpose. For the year ended 31st March, 2006, approximately 80% of the units were sold for an aggregate sales proceeds of about RMB1 billion. To unify the ownership of **City Square** (城市天地廣場), the Group reached an agreement on 16th March, 2006 to buy out the 20% minority interest in Shenzhen Honkwok Huaye Development Co., Ltd., the owner of the **City Square** (城市天地廣場) project, for a cash consideration of RMB10 million (equivalent to about HK\$9.6 million). The acquisition was approved by the relevant government authorities and completed on 13th June, 2006. For details, please refer to the Company's announcement dated 16th March, 2006.



City Square at Jia Bin Lu, Luo Hu District, Shenzhen, Guangdong Province, PRC

Hong Kong

The Group has ceased its property development activities in Hong Kong. As a result, turnover from sale of remaining units in past-completed projects dropped from HK\$89 million to HK\$45 million in the year.



One City Hall at South-West Corner of Bay Street and Dundas Street West, Toronto, Ontario, Canada
Phase I – project at site (above), Phase II – artist impression (right)



Canada

The project at the Bay Street and Dundas Street, Toronto is a two-phase development. Phase 1 of the project, in which the Group has a 75% interest, is a 16-storey building comprising 526 residential units with car park facilities. The project has been progressed to the interior and exterior fitting stage and is due for completion in September 2006. Up to 31st March, 2006, the Group has pre-sold about 85% of the units at an aggregate sales proceeds of CAD 98 million (equivalent to HK\$656.6 million).

Phase 2 of the project, in which the Group has a 50% interest, is under a rezoning application to maximize the gross floor area for the development of a 50-storey mixed use building containing residential and hotel uses.

Property Investment

Hong Kong

The office market in Hong Kong continued to improve during the year. Positive rental reversions are seen for our office properties in Central and Tsimshatsui on new and renewal leases. The **Bauhinia** (寶軒), our serviced apartment, has raised the room tariffs and maintained average occupancy at more than 90%. Overall rental income increased from HK\$58 million to HK\$66 million in the year.

As a result of the changes in building regulations, the Group is permitted to increase the gross floor area of **Hon Kwok Jordan Centre** (漢國佐敦中心) and **Hon Kwok TST Centre** (漢國尖沙咀中心). Building and structural plans are under submission to construct the additional gross floor area into the existing buildings. Your Group is in the process of converting certain office floors in Tsimshatsui to retail use with a view to enhancing the rental income.

During the year, the Group purchased a portfolio of completed residential units in Kowloon with a gross floor area of about 60,000 square feet for investment. The total purchase cost was HK\$234 million, which translated into an average price of about HK\$3,900 per square foot. Under the current market conditions, the rental yield for those units has improved remarkably against a slight increase in re-sale price over our purchase cost.

Malaysia

Plaza Ampang, our commercial complex at Kuala Lumpur, has an average occupancy of about 65%. Rental income dropped from HK\$12 million to HK\$11 million in the year.

Property Revaluation

The Group annually revalues its investment properties to their fair values at year-end. During the year, the Group classified the commercial podium of **City Square** (城市天地廣場) as an investment property upon its completion. The resulting fair value changes, net of deferred tax and minority interest, of HK\$337 million was credited as income in the year.

OVERVIEW

The mainland economy is showing no signs of slowing, with GDP growth in excess of 10% in the first half of 2006. There have been measures from the Central Government to cool the overheated property market. These measures are aimed to control soaring property prices, so as to pave the way for the healthier development of the property market. The fundamentals of the mainland property market remain promising, as the economy continues to be robust and there are strong housing demand as a result of urbanization and increase in disposable income of the mainlanders. The Group views the recent austerity measures as an opportunity to replenish its land bank at lower costs as developers or investors of less financial strength may be forced to dispose of their properties in a softening property market under tightened credit.

The Group has achieved remarkable results during the year. Taking this opportunity, I would like to express my appreciation to my fellow directors for their advice and to all staff for their dedication and hard work.

James Sai-Wing Wong
Chairman

Hong Kong, 24th July, 2006