CHEUK NANG (HOLDINGS) LIMITED
卓能(集團)有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 131)

RESULTS
FOR THE YEAR ENDED 30 JUNE 2007

RESULTS

The Group's audited consolidated income statement for the year ended 30 June 2007 is listed as follows:-

	Note	**2007** *HK$'000*	2006 *HK$'000*
Turnover	*4*	**94,138**	29,889
Direct costs		**(73,267)**	(11,178)
Gross profit		**20,871**	18,711
Other income	*6*	**111,001**	94,290
Change in fair value of investment properties		**463,545**	55,567
Administrative expenses		**(16,949)**	(10,940)
Finance costs	*7*	**(22,567)**	(26,660)
Profit before income tax	*8*	**555,901**	130,968
Income tax expense	*9*	**(71,973)**	(10,000)
Profit for the year		**483,928**	120,968
Attributable to:			
Equity holders of the Company		**473,758**	120,968
Minority interests		**10,170**	-
Profit for the year		**483,928**	120,968
Dividends	*10*	**53,304**	18,335
Earnings per share			
- Basic	*11*	**HK$3.06**	HK$1.53
- Diluted		**HK$3.01**	N/A

The Group's audited consolidated balance sheet as at 30 June 2007 is listed as follows:-

	Note	**2007** ***HK$'000***	2006 *HK$'000*
Non-current assets			
Investment properties		**3,307,455**	2,709,478
Property, plant and equipment		**2,830**	2,869
Interest in joint ventures		**-**	1
Available-for-sale financial assets		**-**	-
Mortgage loans		**501**	577
Other non-current assets		**950**	950
		3,311,736	2,713,875
Current assets			
Properties under development for sale		**914,235**	752,830
Completed properties for sale		**47,336**	97,103
Financial assets at fair value through profit or loss		**2,932**	461
Trade and other receivables	*12*	**6,857**	4,953
Prepaid tax		**637**	58
Bank balances and cash		**61,565**	4,812
		1,033,562	860,217
Current liabilities			
Trade and other payables	*13*	**293,948**	34,796
Current portion of advances from a director		**-**	230,000
Current portion of interest-bearing borrowings		**143,573**	200,954
Taxation		**6,236**	2,205
		443,757	467,955
Net current assets		**589,805**	392,262
Total assets less current liabilities		**3,901,541**	3,106,137
Non-current liabilities			
Non-current portion of interest-bearing borrowings		**563,711**	983,500
Non-current portion of advances from a director		**92,759**	105,961
Advances from a related company		**67,000**	64,871
Deferred tax liabilities		**371,121**	302,915
		1,094,591	1,457,247
NET ASSETS		**2,806,950**	1,648,890

CAPITAL AND RESERVES		
Share capital	**21,785**	7,674
Reserves	**2,724,555**	1,641,216
Total equity attributable to equity holders of the Company	**2,746,340**	1,648,890
Minority interests	**60,610**	-
TOTAL EQUITY	**2,806,950**	1,648,890

NOTES

1. GENERAL INFORMATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements have been consistently applied to all the years presented unless otherwise stated.

The measurement basis used in the preparation of these financial statements is historical cost, except for investment properties and financial assets at fair value through profit or loss, which are measured at fair value.

2. ADOPTION OF NEW OR AMENDED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

2.1 New or amended HKFRSs effective on 1 January 2006

From 1 July 2006, the Group has adopted the new and amended HKFRSs which are relevant to its operations. These include the following new, revised and renamed HKFRSs:

HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS-Interpretation 4	Determining whether an Arrangement contains a Lease

The adoption of these new and amended HKFRSs did not result in significant changes to the Group's accounting policies and had no significant financial impact on the Group's financial statements for the current and prior years.

2.2 New or amended HKFRSs that have been issued but are not yet effective

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of these HKFRS will not result in material financial impact on the Group's financial statements.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments – Disclosures[1]
HKFRS 8	Operating Segments[4]
HKAS 23	Borrowing Costs (Revised) [4]
HK(IFRIC) – Interpretation 10	Interim Financial Reporting and Impairment[2]
HK(IFRIC) – Interpretation 11	Group and Treasury Share Transactions[3]
HK(IFRIC) – Interpretation 12	Service Concession Arrrangements[5]
HK(IFRIC) – Interpretation 13	Customer Loyalty Programmes[6]
HK(IFRIC) – Interpretation 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[5]

Note:

1 Effective for annual periods beginning on or after 1 January 2007
2 Effective for annual periods beginning on or after 1 November 2006
3 Effective for annual periods beginning on or after 1 March 2007
4 Effective for annual periods beginning on or after 1 January 2009
5 Effective for annual periods beginning on or after 1 January 2008
6 Effective for annual periods beginning on or after 1 July 2008

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Valuation of investment properties

The valuation of investment properties requires management's input of various assumptions and factors relevant to the valuation. The Group conducts annual revaluation of its investment properties using independent professionally qualified valuers based on these assumptions agreed with the valuers prior to adoption.

Deferred tax

At 30 June 2007, a deferred tax asset of HK$11,709,000 in relation to tax losses have been recognised in the Group's consolidated balance sheet. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the consolidated income statement for the period in which such a reversal takes place.

4. TURNOVER

	2007	2006
	HK$'000	HK$'000
Gross proceeds from sale of completed properties for sale	**58,279**	-
Gross rental income	**32,405**	27,224
Estate management income	**2,240**	2,341
Interest income	**1,214**	324
	94,138	29,889

5. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Certain comparative figures for segment information have been reclassified to conform with current year's presentation.

Primary reporting format - Business segments

The Group is organised into the following main business segments:

2007

	Property sales	**Property rental**	**Estate management**	**Unallocated**	**Inter-segment elimination**	**Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover						
Revenue from external customers	58,279	32,405	2,240	1,214	-	94,138
Inter-segment revenue	-	2,331	13,245	80,138	(95,714)	-
Segment turnover	58,279	34,736	15,485	81,352	(95,714)	94,138
Segment results	(2,756)	483,748	1,886	-	-	482,878
Unallocated operating income and expenses						95,590
Finance costs						(22,567)
Profit before income tax						555,901
Income tax expense						(71,973)
Profit for the year						483,928
Assets						
Segment assets	992,555	3,338,814	323			4,331,692
Unallocated assets						13,606
Total assets						4,345,298
Liabilities						
Segment liabilities	16,021	983,684	78			999,783
Unallocated liabilities						538,565
Total liabilities						1,538,348
Other information						
Capital expenditure	-	135,149	-			135,149
Depreciation	-	746	-			746
Change in fair value of investment properties	-	463,545	-			463,545

2006

	Property sales HK$'000	Property rental HK$'000	Estate management HK$'000	Unallocated HK$'000	Inter-segment elimination HK$'000	Group HK$'000
Turnover						
Revenue from external customers	-	27,224	2,341	324	-	29,889
Inter-segment revenue	-	1,926	10,897	69,677	(82,500)	-
Segment turnover	-	29,150	13,238	70,001	(82,500)	29,889
Segment results	-	71,615	2,081	-	-	73,696
Unallocated operating income and expenses						83,932
Finance costs						(26,660)
Profit before income tax						130,968
Income tax expense						(10,000)
Profit for the year						120,968
Assets						
Segment assets	881,258	2,687,239	294			3,568,791
Investments in jointly controlled entity						1
Unallocated assets						5,300
Total assets						3,574,092
Liabilities						
Segment liabilities	213,282	1,125,884	87			1,339,253
Unallocated liabilities						585,949
Total liabilities						1,925,202
Other information						
Capital expenditure	-	42,349	-			42,349
Depreciation	-	671	-			671
Change in fair value of investment properties	-	55,567	-			55,567

Secondary reporting format - Geographical segments

2007

	Revenue from external customers *HK$'000*	Segment assets *HK$'000*	Capital expenditure *HK$'000*
Hong Kong	33,734	2,517,228	110,205
Macau	-	1,299,692	18,155
Malaysia	60,293	227,244	6,713
The People's Republic of China ("PRC")	111	287,528	76
	94,138	**4,331,692**	**135,149**

2006

	Revenue from external customers *HK$'000*	Segment assets *HK$'000*	Capital expenditure *HK$'000*
Hong Kong	27,760	2,122,774	22,470
Macau	-	1,030,030	19,837
Malaysia	2,129	192,968	42
PRC	-	223,019	-
	29,889	3,568,791	42,349

6. OTHER INCOME

	2007 ***HK$'000***	2006 *HK$'000*
Excess of Group's interest in fair value of acquiree's net assets over cost	**-**	93,483
Profit on partial disposal of a subsidiary (note)	**109,278**	-
Sundry income	**1,723**	807
	111,001	94,290

Note:
During the year ended 30 June 2007, the Group disposed of 27.58% equity interest in a subsidiary, Ace Cosmos Finance Limited, for an aggregate cash consideration (net of expenses) of approximately HK$159,718,000 and recorded a gain on partial disposal of a subsidiary of approximately HK$109,278,000.

7. FINANCE COSTS

	2007 *HK$'000*	2006 *HK$'000*
Interest charges on:		
Bank loans and overdrafts wholly repayable within five years	**55,582**	47,289
Advances from a related company	**3,506**	7,916
Advances from a director	**20,386**	17,853
Other incidental borrowings costs	**2,875**	1,151
Total borrowing costs	**82,349**	74,209
Less: interest capitalised into investment properties and properties under development for sale (note)	**(59,782)**	(47,549)
	22,567	26,660

Note: The borrowing costs have been capitalised at a rate of 4.58% - 9.8% *(2006: 4.4% - 9.8%)* per annum.

8. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after crediting and charging the following:

	2007 *HK$'000*	2006 *HK$'000*
Crediting		
Recovery of bad debts provision	**154**	99
Net exchange gain	**-**	72
Charging		
Staff costs (include directors' emoluments)		
Salaries, wages and other benefits	**6,696**	4,687
Contributions to defined contribution plans	**190**	140
Auditors' remuneration		
Current year	**370**	165
Underprovision in prior year	**181**	160
Depreciation	**746**	671
Direct outgoings in respect of investment properties that generate rental income	**11,223**	10,970
Direct outgoings in respect of investment properties that did not generate rental income	**3**	85

9. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided for the year as the Group incurred a loss for taxation purposes. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated income statement represents:

	2007	2006
	HK$'000	*HK$'000*
Current tax – current year		
Hong Kong	**4,003**	-
Overseas	**-**	2,129
	4,003	2,129
Overprovision of overseas tax in prior year	**(236)**	-
	3,767	2,129
Deferred tax - Current year	**68,206**	7,871
Total income tax expense	**71,973**	10,000

Reconciliation of tax expense and accounting profit at applicable tax rates:

	2007	2006
	HK$'000	*HK$'000*
Profit before income tax	**555,901**	130,968
Tax at Hong Kong profits tax rate of 17.5% *(2006: 17.5%)*	**97,282**	22,919
Tax effect of non-deductible expenses	**7,863**	4,242
Tax effect of non-taxable revenue	**(28,238)**	(12,378)
Tax effect of differences in overseas tax rates	**(5,703)**	(4,953)
Tax effect of unused tax losses not recognised	**1,170**	1,328
Tax effect of prior year's unrecognised tax losses utilised during the year	**(407)**	(650)
Tax effect of unrecognised temporary differences	**631**	(501)
Recognition of previously unrecognised deferred tax assets	**295**	-
Overprovision in prior year	**(236)**	-
Others	**(684)**	(7)
Income tax expense	**71,973**	10,000

10. DIVIDENDS

	2007 *HK$'000*	2006 *HK$'000*
Interim dividend of HK5.5 cents *(2006: HK4.5 cents)* per share	**11,875**	3,420
Proposed final dividend of HK19 cents *(2006: HK17 cents)* per share (Note)	**41,429**	14,915
	53,304	18,335

During the year, scrip dividend alternative was offered to shareholders in respect of the 2006 final dividend and 2007 interim dividends. This alternative was accepted by the shareholders as follows:

	2007 *HK$'000*	2006 *HK$'000*
Dividends:		
Cash	**15,812**	1,567
Share alternative	**10,978**	12,830
	26,790	14,397

Note :
A final dividend in respect of 2007 of HK19 cents *(2006: HK17 cents)* per share amounting to approximately HK$41,429,000 *(2006: HK$14,915,000)* has been proposed by the board of directors after the balance sheet date. The proposed dividend is not reflected as dividend payable in the balance sheet, but will be reflected as an appropriation of retained profits in the year ending 30 June 2008.

11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings

	2007 *HK$'000*	2006 *HK$'000*
Profit attributable to equity holders of the Company for the purpose of calculating basic and diluted earnings per share	**473,758**	120,968

Number of shares

	2007	2006 (restated)
Weighted average number of ordinary shares for the purposes of basic earnings per share (Note)	**154,596,998**	79,236,375
Effect of dilutive potential ordinary shares:		
Warrants	**2,747,506**	N/A
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**157,344,504**	N/A

Note:
The weighted average number of ordinary shares in issue used in the basic earnings per share calculation for the year ended 30 June 2006 has been adjusted to reflect the bonus element of the rights issue and placements during the year.

Diluted earnings per share for the year ended 30 June 2006 has not been shown because there was no dilutive potential ordinary share in issue at the balance sheet date.

12. TRADE AND OTHER RECEIVABLES

		The Group	
		2007	2006
	Note	***HK$'000***	*HK$'000*
Trade receivables	(a)	**436**	563
Other receivables			
Prepayments and deposits		**4,981**	2,127
Other receivables		**1,440**	2,263
		6,421	4,390
		6,857	4,953

(a) TRADE RECEIVABLES

The trade receivables of the Group represent rental, management fee and current portion of mortgage loan receivables and are on open account terms.

The ageing analysis of the trade receivables (net of impairment for bad and doubtful debts) as of the balance sheet date is as follows:

	The Group	
	2007	2006
	HK$'000	*HK$'000*
0 - 30 days	298	324
31 - 60 days	36	101
61 - 90 days	22	21
Over 90 days	80	117
	436	563

13. TRADE AND OTHER PAYABLES

		The Group	
		2007	2006
	Note	***HK$'000***	*HK$'000*
Trade payables	(a)	**1,081**	1,356
Other payables			
Tenant deposits		**8,786**	8,827
Other payables and accruals		**44,091**	24,613
Due to minority shareholders	(b)	**239,990**	-
		292,867	33,440
		293,948	34,796

(a) TRADE PAYABLES

The ageing analysis of the trade payables as of the balance sheet date is as follows:

	The Group	
	2007	2006
	HK$'000	*HK$'000*
0 - 30 days	**164**	95
31 - 60 days	**41**	44
61 - 90 days	**41**	41
Over 90 days	**835**	1,176
	1,081	1,356

(b) DUE TO MINORITY SHAREHOLDERS

The amounts due are unsecured, interest-free and have no fixed repayment term.

FINANCIAL REVIEW

The Group's debt to equity ratio was approximately 31% *(2006: 96%)* expressed as a percentage of bank loans and other borrowings over net assets of the Group. The ratio of bank loans and overdrafts and advances from a directors and a related company over the Group's financial debts is 82% *(2006:75%)* and 18% *(2006:25%)* respectively.

Most of the Group's cash and bank balances, bank loans and other borrowings were denominated in Ringgit Malaysia, Renminbi and Hong Kong dollar as at 30 June 2007.

STAFF

As at 30 June 2007, the Group employed 47 staff. Staff remuneration packages are normally reviewed annually. The Group also provides other staff benefits, which include year end double pay and contributions to defined contribution retirement schemes.

PLEDGE OF ASSETS

At the balance sheet date, the Group's total bank borrowings of HK$707,284,000 *(2006: HK$1,184,454,000)* were secured by the following:

(a) legal charges on certain of the Group's investment properties and certain of the Group's properties for sales with carrying values of HK$3,238,675,000 *(2006: HK$2,702,478,000)* and HK$821,324,000 *(2006: HK$626,492,000)* , respectively;

(b) floating charge over all the assets and undertakings of certain subsidiaries;

(c) mortgages over the shares of certain subsidiaries; and

(d) assignments of sale proceeds, insurance proceeds, rental income and deposits arising from the tenancy agreements of certain properties.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS (THE "MODEL CODE")

The Company has adopted codes of conduct regarding securities transactions by Directors (the "Securities Code") and relevant employees on terms no less exacting than the required standard set out in the Model Code contained in Appendix 10 of the Listing Rules throughout the year ended 30 June 2007. The Company had also made specific enquiries of all Directors and the Company was not aware of any non-compliance with the required standard of dealings set out in the Model Code and its code of conduct regarding securities transactions by Directors.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the year ended 30 June 2007 with the code provisions set out in the Code on Corporate Governance Practices as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

CLOSURE OF REGISTER

The register of members of the Company will be closed from 7 November 2007 to 13 November 2007 (both days inclusive) during which period no transfers of shares would be effected. In order to qualify for the final dividend and attendance at the 2007 Annual General Meeting, all transfer of shares together with the relevant share certificates must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on 6 November 2007.

PUBLICATION OF DETAILED ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All information required by paragraph 45(1) to 45(8) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website and the Company's website http://www.cheuknang.com in due course.

By order of the Board
CONNIE S.F. HO
Company Secretary

Hong Kong, 4 October 2007

As at the date of this announcement, the Board comprises of eight Directors, of which Dr. Chao Sze-Tsung Cecil, Mr. Yung Philip, Mr. Chao Howard and Ms. Ho Sau-Fun Connie are Executive Directors; Mr. Lee Ding-Yue Joseph is Non-executive Director and Dr. Sun Ping-Hsu Samson, Mr. Leung Wing-Kong Joseph and Mr. Lam Ka-Wai Graham are Independent Non-executive Directors.