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 2008

RESULTS

The board of directors (the "Board") of Cheuk Nang (Holdings) Limited ("the Company") is pleased to announce the audited consolidated income statement of the Company and its subsidiaries (collectively, the "Group") for the year ended 30 June 2008 and the consolidated balance sheet of the Group as at 30 June 2008 together with the comparative figures, which have been reviewed by the audit committee of the Company as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	**2008** ***HK$'000***	2007 *HK$'000*
Turnover	4	**67,273**	94,138
Direct costs		**(35,949)**	(73,267)
Gross profit		**31,324**	20,871
Other income	6	**18,941**	111,001
Change in fair value of investment properties		**440,254**	463,545
Change in fair value of property, plant and equipment		**30,080**	–
Change in fair value of financial assets at fair value through profit or loss		**(47,274)**	–
Administrative expenses		**(29,416)**	(16,949)
Finance costs	7	**(21,904)**	(22,567)
Profit before income tax	8	**422,005**	555,901
Income tax expense	9	**(52,347)**	(71,973)
Profit for the year		**369,658**	483,928
Attributable to:			
Equity holders of the Company		**362,084**	473,758
Minority interests		**7,574**	10,170
Profit for the year		**369,658**	483,928
Dividends	10	**23,748**	53,304
Earnings per share	11		
Basic		**HK$1.54**	HK$3.04
Diluted		**HK$1.49**	HK$2.99

CONSOLIDATED BALANCE SHEET

	Notes	**2008 HK$'000**	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**3,795,753**	3,307,455
Property, plant and equipment		**90,125**	2,830
Available-for-sale financial assets		**–**	–
Mortgage loans		**305**	501
Other non-current asset		**950**	950
		3,887,133	3,311,736
Current assets			
Properties under development for sale		**746,741**	914,235
Completed properties for sale		**352,614**	47,336
Financial assets at fair value through profit or loss	12	**219,811**	2,932
Trade and other receivables	13	**38,645**	6,125
Amount due from ultimate holding company	15	**600**	600
Amount due from a related company	15	**132**	132
Prepaid tax		**2,152**	637
Bank balances and cash		**106,256**	61,565
		1,466,951	1,033,562
Current liabilities			
Trade and other payables	14	**57,884**	53,958
Amounts due to minority shareholders	15	**239,990**	239,990
Current portion of interest-bearing borrowings		**188,574**	143,573
Taxation		**7,389**	6,236
		493,837	443,757
Net current assets		**973,114**	589,805
Total assets less current liabilities		**4,860,247**	3,901,541
Non-current liabilities			
Non-current portion of interest-bearing borrowings		**925,000**	563,711
Advances from a director		**70,797**	92,759
Advances from a related company		**11,000**	67,000
Deferred tax liabilities		**422,004**	371,121
		1,428,801	1,094,591
Net assets		**3,431,446**	2,806,950
EQUITY			
Share capital		**26,413**	21,785
Reserves		**3,336,849**	2,724,555
Total equity attributable to equity holders of the Company		**3,363,262**	2,746,340
Minority interests		**68,184**	60,610
Total equity		**3,431,446**	2,806,950

NOTES

1. GENERAL INFORMATION

Cheuk Nang (Holdings) Limited (the "Company") is a limited liability company incorporated in Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited.

The principal activities of the Company and its subsidiaries (collectively, the "Group") are principally engaged in the property development and investment and provision of property management and related services.

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 ("HKFRS"), 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, financial assets at fair value through profit or loss and land and building classified under property, plant and equipment, which are measured at fair value.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are described in note 3.

2. ADOPTION OF NEW OR AMENDED HKFRSs

2.1 Standards and Interpretations effective in the current year

In the current financial year, the Group has adopted all the new and amended HKFRSs which are generally effective for annual periods beginning on or after 1 July 2007 and relevant to the Group and the Company. The adoption of these new and amended HKFRSs does not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior years. However, as a result of the adoption of HKFRS 7 "Financial Instruments: Disclosures" and the amendments to HKAS 1 "Presentation of Financial Statements", there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's and the Company's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32 "Financial Instruments: Disclosure and Presentation". These disclosures are provided throughout the annual report.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital. These new disclosures are set out in the annual report.

Both HKFRS 7 and the amendment of HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

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

The Group has not early adopted the following Standards or Interpretations that have been issued but are not yet effective. The directors of the Company is currently assessing the impact of these HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group's and the Company's financial statements.

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [2]
HKAS 32 (Amendment)	Financial Instruments - Presentation [1]
HKFRS 2 (Amendment)	Share-based Payments [1]
HKFRS 3 (Revised)	Business Combinations [2]
HKFRS 8	Operating Segments [1]
HK(IFRIC)-Int 12	Service Concession Arrangements [3]
HK(IFRIC)-Int 13	Customer Loyalty Programmes [4]
HK(IFRIC)-Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [3]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate [1]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation [5]

Notes :

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 January 2008
[4] Effective for annual periods beginning on or after 1 July 2008
[5] Effective for annual periods beginning on or after 1 October 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.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within then next financial year are discussed below:

Valuation of investment properties and property, plant and equipment

The valuation of investment properties and land and buildings classified under property, plant and equipment under the fair value model requires management's input of various assumptions and factors relevant to the valuation. The Group conducts annual revaluation using independent professionally qualified valuers based on these assumptions agreed with the valuers prior to adoption.

Deferred tax

At 30 June 2008, a deferred tax asset of HK$19,493,000 (2007: 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

	2008	2007
	HK$'000	*HK$'000*
Gross proceeds from sale of completed properties for sale	**25,213**	58,279
Gross rental income	**39,245**	32,405
Estate management income	**2,120**	2,240
Interest income	**695**	1,214
	67,273	94,138

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.

Primary reporting format - Business segments

The Group is organised into the following main business segments:

2008

	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	25,213	39,245	2,120	695	–	67,273
Inter-segment revenue	–	2,466	15,806	53,140	(71,412)	–
Segment turnover	25,213	41,711	17,926	53,835	(71,412)	62,273
Segment results	2,572	500,123	1,873	–	–	504,568
Unallocated operating income and expenses						(60,659)
Finance costs						(21,904)
Profit before income tax						422,005
Income tax expense						(52,347)
Profit for the year						369,658
Assets						
Segment assets	1,131,082	3,803,211	447			4,934,740
Unallocated assets						419,344
Total assets						5,354,084
Liabilities						
Segment liabilities	17,539	278,826	87			296,452
Unallocated liabilities						1,626,186
Total liabilities						1,922,638
Other information						
Capital expenditure	–	56,344	–	–		56,344
Depreciation	–	1,975	–	1,080		3,055
Change in fair value of investment properties	–	440,254	–	–		440,254
Change in fair value of property, plant and equipment	–	–	–	30,080		30,080

2007

	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	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

Secondary reporting format - Geographical segments

2008

	Revenue from external customers *HK$'000*	Segment assets *HK$'000*	Capital expenditure *HK$'000*
Hong Kong	**39,081**	**2,980,588**	**41,291**
Macau	**–**	**1,351,314**	**4,232**
Malaysia	**27,693**	**268,714**	**10,819**
The People's Republic of China ("PRC")	**499**	**334,124**	**2**
	67,273	**4,934,740**	**56,344**

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
PRC	111	287,528	76
	94,138	4,331,692	135,149

6. OTHER INCOME

	2008 *HK$'000*	2007 *HK$'000*
Dividend income from equity investments	**5,703**	–
Gain on disposal of financial assets at fair value through profit or loss	**10,989**	218
Gain on disposal of investment properties	**1,496**	–
Profit on partial disposal of a subsidiary *(note)*	**–**	109,278
Sundry income	**753**	1,505
	18,941	111,001

Note:

During the year ended 30 June 2007, the Group disposed 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

	2008	2007
	HK$'000	*HK$'000*
Interest charges on financial liabilities:		
Bank loans and overdrafts wholly repayable within five years	**37,730**	55,582
Advances from a related company	**2,804**	3,506
Advances from a director	**9,106**	20,386
Other incidental borrowings costs	**623**	2,875
Total borrowing costs	**50,263**	82,349
Less: interest capitalised into investment properties and properties under development for sale *(note)*	**(28,359)**	(59,782)
Total interest charges for financial liabilities not at fair value through profit or loss	**21,904**	22,567

Note: The borrowing costs have been capitalised at a rate of 2.29% - 6.07% (2007: 4.58% - 9.8%) per annum.

8. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after (crediting)/charging the following:

	2008	2007
	HK$'000	*HK$'000*
Recovery of bad debts provision	**(300)**	(154)
Cost of properties sold	**22,642**	61,035
Change in fair value of financial assets at fair value through profit or loss#	**47,274**	(286)
Staff costs (include directors' emoluments)		
Salaries, wages and other benefits	**9,255**	6,696
Contribution to defined contribution plans	**219**	190
Auditors' remuneration		
Current year	**438**	370
Underprovision in prior year	**–**	181
Depreciation*	**3,043**	746
Direct outgoings in respect of investment properties that generate rental income	**9,306**	11,223
Direct outgoings in respect of investment properties that did not generate rental income	**150**	3
Net exchange loss	**7,166**	511

* Depreciation expense of HK$3,043,000 (2007: HK$746,000) has been expensed in administrative expenses.

The gain on change in fair value of financial assets at fair value through profit or loss of HK$Nil (2007: HK$286,000) has been recognised in sundry income.

9. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the year. 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:

	2008	2007
	HK$'000	*HK$'000*
Current tax – current year		
Hong Kong	**2,985**	4,003
Overseas	**435**	–
	3,420	4,003
Overprovision of overseas tax in prior year	**(174)**	(236)
	3,246	3,767
Deferred tax – current year	**49,101**	68,206
Total income tax expense	**52,347**	71,973

Reconciliation between the tax expenses and accounting profit at applicable tax rates:

	2008	2007
	HK$'000	*HK$'000*
Profit before income tax	**422,005**	555,901
Tax at Hong Kong profits tax rate of 16.5% (2007: 17.5%)	**69,631**	97,282
Tax effect of non-deductible expenses	**9,535**	7,863
Tax effect of non-taxable revenue	**(21,313)**	(28,238)
Tax effect of differences in overseas tax rates	**4,959**	(5,703)
Tax effect of unused tax losses not recognised	**1,677**	1,170
Tax effect of prior year's unrecognised tax losses utilised during the year	**(10,653)**	(407)
Tax effect of unrecognised temporary differences	**452**	631
Recognition of previously unrecognised deferred tax asset	**1,295**	295
Tax effect of changes in tax rate	**(3,488)**	–
Overprovision in prior year	**(174)**	(236)
Others	**426**	(684)
Income tax expense	**52,347**	71,973

10. DIVIDENDS

	2008	2007
	HK$'000	*HK$'000*
Interim dividend of HK6 cents (2007: HK5.5 cents) per share	**15,698**	11,875
Proposed final dividend of HK3 cents (2007: HK19 cents) per share	**7,924**	41,429
Adjustment to 2007 final dividend	**126**	–
	23,748	53,304

During the year, scrip dividend alternative was offered to shareholders in respect of the 2007 final dividend and 2008 interim dividends. This alternative was accepted by the shareholders as follows:

	2008	2007
	HK$'000	*HK$'000*
Dividends:		
Cash	**16,054**	15,812
Share alternative	**41,199**	10,978
	57,253	26,790

Note:

A final dividend in respect of 2008 of HK3 cents (2007: HK19 cents) per share amounting to approximately HK$7,924,000 (2007: HK$41,429,000) 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 2009.

The amount of proposed final dividend in respect of 2008 has been calculated by reference to shares in issue at 10 October 2008.

11. EARNINGS PER SHARE

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

Earnings

	2008	2007
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company for the purpose of calculating basic and diluted earnings per share	**362,084**	473,758

Number of shares

	2008	2007 (restated)
Weighted average number of ordinary shares for the purposes of basic earnings per share *(note)*	**235,622,961**	155,895,613
Effect of dilutive potential ordinary shares:		
Warrants	**6,610,184**	2,734,581
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**242,233,145**	158,630,194

Note:

The weighted average number of ordinary shares in issue used in the basic earnings per share calculation for the year ended 30 June 2007 has been adjusted to reflect the bonus element of the rights issue during the year.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2008	2007
	HK$'000	*HK$'000*
Held for trading		
Equity securities listed in Hong Kong	**219,811**	2,932

13. TRADE AND OTHER RECEIVABLES

	2008	2007
	HK$'000	*HK$'000*
Trade receivables		
From third parties	**2,558**	436
Other receivables		
Prepayments and deposits	**34,460**	4,981
Other receivables	**1,627**	708
	36,087	5,689
	38,645	6,125

Included in prepayments and deposits is an amount totaling HK$31,008,000 (2007: HK$Nil) which was deposit paid for acquisition of land use right in PRC.

The trade receivables of the Group represent rental and management fee in arrears. Before accepting any new customers, the Group performs credit check to assess the potential customer's credit quality and tenants are required to pay deposits.

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

	2008	2007
	HK$'000	*HK$'000*
0-30 days	**714**	298
31-60 days	**44**	36
61-90 days	**10**	22
Over 90 days	**1,790**	80
	2,558	436

All of the Group's trade and other receivables have been reviewed for indicators of impairment. Included in the Group's trade receivables balance are debtors with a carrying amount of HK$2,558,000 (2007: HK$436,000) which are past due as at the reporting date for which the Group has not been provided as there has not been a significant change in its good credit quality and there was no recent history of default and the amounts are still considered recoverable. Except for deposits received from tenants, the Group does not hold any other collateral over these balances.

No impairment has been recognised on receivables through the provision account for the two years ended 30 June 2008 and 2007.

14. TRADE AND OTHER PAYABLES

	2008	2007
	HK$'000	*HK$'000*
Trade payables		
To third parties	**1,104**	1,081
Other payables		
Tenant deposit	**8,093**	8,786
Other payable and accruals	**48,687**	44,091
	56,780	52,877
	57,884	53,958

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

	2008	2007
	HK$'000	*HK$'000*
0-30 days	**559**	164
31-60 days	**67**	41
61-90 days	**43**	41
Over 90 days	**435**	835
	1,104	1,081

15. AMOUNTS DUE FROM/TO ULTIMATE HOLDING COMPANY/ A RELATED COMPANY/ MINORITY SHAREHOLDERS

The amounts due are unsecured, interest-free and have no fixed repayment term. The carrying amounts of the amounts due approximate their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

Turnover for the year ended 30 June 2008 (the "Year") amounted to HK$67,273,000 (year ended 30 June 2007: HK$94,138,000), a 28.5% decrease over the same period last year. It was mainly due to the decrease in turnover of sale of properties in Malaysia but party compensated by increase in rental income from investment properties in Hong Kong. For property leasing, the Year recorded an increase of 21.1% in rental income as compared with the corresponding year in 2007, amounting HK$39,245,000 (2007: HK$32,405,000).

Gross profit for the Year amounted to HK$31,324,000, an 50.1% increase as compared with the same period last year.

Other income recorded a decrease of 82.9% to HK$18,941,000 when compared with the same period last year. The income was mainly attributed to gain on disposal of listed securities and dividend income from listed securities. Revaluation surplus in respect of investment properties decreased by 5.0% to HK$440,254,000 as compared with the same period last year. Administrative expenses increased by 73.6% to HK$29,416,000 as compared with the same period last year. Finance costs recorded a decrease of 2.9% to HK$21,904,000 as compared with the same period last year. Loss on fair value adjustment on listed securities amounted to HK$47,274,000 for the year.

Profit attributable to equity holders of the Company for the Year was HK$362,084,000 as compared to HK$473,758,000 for the same period last year. Basic earnings per share was HK$1.54 (2007: HK$3.04) and diluted earnings per share was HK$1.49 (2007: HK$2.99).

A final dividend of HK19 cents per share for the year ended 30 June 2007 (year ended 30 June 2006: HK17 cents) and an interim dividend of HK6 cents per share for the half year ended 31 December 2007 (half year ended 31 December 2006: HK5.5 cents) were paid during the Year. Scrip dividend alternative was offered to shareholders in respect of 30 June 2007 final dividend and 31 December 2007 interim dividend.

A final dividend has been recommended to pay at HK3 cents (2007: HK19 cents) per share. Together with interim dividend of HK6 cents (31 December 2006: HK5.5 cents) per share, the total dividend for the Year is HK9 cents (2007: HK24.5 cents) per share, representing a total dividend payout of 5.8% (2007: 8.1%).

TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

As at 30 June 2008, the Group's total equity attributable to equity holders of the Company amounted to approximately HK$3,363,262,000 (30 June 2007: HK$2,746,340,000), an increase of HK$616,922,000 or 22.5% when compared with 30 June 2007. With the total number of ordinary shares in issue of 264,131,642 as at 30 June 2008 (2007: 217,845,565 shares), the total equity attributable to equity holders of the Company per share was HK$12.73, an increase of 1.0% over 30 June 2007: HK$12.61. The increase in total equity attributable to equity holders of the Company per share was mainly increase in fair value of investment properties of the Group during the Year.

Included in the total equity attributable to equity holders of the Company is deferred tax liabilities of HK$433,385,000 on fair value gains on properties. If the deferred tax liabilities are excluded, the total equity attributable to equity holders of the Company will become HK$3,796,647,000 or HK$14.37 per share.

During the Year, the Group had committed for acquisition of lands in Hangzhou, China, bought and sold listed securities investment. Other than the existing projects and those disclosed in the annual report, the Group did not have any future plans for material investment or acquiring capital assets.

SECURITIES INVESTMENT

As at 30 June 2008, the listed securities investment was HK$219,811,000. During the year, the portfolio was increased by a net acquisition of HK$264,153,000 and loss in fair value of HK$47,274,000. The listed securities investments of HK$219,811,000 as at 30 June 2008 representing 4.1% (30 June 2007: 0.1%) of the total assets, which formed part of the Group's cash management activities.

RISK MANAGEMENT

The Group has established adequate risk management procedures that enable it to identify, measure, monitor and control the various types of risk it faces. This is supplemented by active management involvement and effective internal controls in the best interests of the Group.

EQUITY

The number of issued ordinary shares as at 30 June 2008 and 30 June 2007 were 264,131,642 and 217,845,565 respectively.

DEBT AND GEARING

As at 30 June 2008, the Group's bank and other interest bearing borrowings amounted to HK$1,195,371,000 (30 June 2007: HK$867,043,000). Cash and bank balances amounted to HK$106,256,000 (30 June 2007: HK$61,565,000) and net borrowing amounted to HK$1,089,115,000 (30 June 2007: HK$805,478,000). Total debts to equity ratio was 34.8% (30 June 2007: 30.9%) and net debt to equity ratio was 31.7% (30 June 2007: 28.7%).

The increase in the total debt to equity ratio and the net debt to equity ratio were mainly due to increase in borrowings during the year.

At the balance sheet date, the Group's bank and other borrowings were denominated in Hong Kong dollars 97.2% and Renminbi 2.8%. Of the Group's total bank and other borrowings HK$1,195,371,000, 15.8%, 42.8%, 39.7% and 1.7% were repayable within 1 year, 1 to 2 years, 2 to 5 years and over 5 years respectively. The Group's bank and other borrowings carried interest rates by reference to HIBOR and The People's Bank of China Prescribed Interest Rate. No hedging for interest rate subsisted at the end of the Year.

PLEDGE OF ASSETS

As at 30 June 2008, the Group's investment properties, properties for sales and property, plant and equipment with their respective carrying value of HK$2,664,063,000 (30 June 2007: HK$3,238,675,000), HK$692,449,000 (30 June 2007: HK$821,324,000) and HK$83,000,000 (30 June 2007: HK$Nil) were pledged to secure general banking facilities of the Group.

FINANCIAL AND INTEREST EXPENSES

Financial costs included interest expenses on bank and other loans, arrangement, facility and commitment fee expenses. Interest capitalized for the Year was HK$28,359,000 as compared to HK$59,782,000 for the last year. Interest expenses for the Year amounted to HK$21,904,000, representing 2.9% decrease over the interest expenses of HK$22,567,000 recorded for the same period last year. The decrease in interest expense was mainly due to decrease in interest rate during the Year. The average interest rate over the year under review was 4.87% (2007: 5.88%) which was expressed as a percentage of total interest expenses over the average total borrowing.

REMUNERATION POLICIES AND SHARE OPTION SCHEME

During the year under review, the Group employed a total of 53 (year ended 30 June 2007: 47) staff. Employees were remunerated on the basis of their performance, experience and prevailing industry practice. Remuneration packages comprised salary, year end double pay and year end discretionary bonus based on market conditions and individual performance. The Executive Directors continued to review employees' contributions and to provide them with necessary incentives and flexibility for their better commitment and performance. No share option scheme was adopted for the Year.

HONG KONG

Due to the local inflation, the property market in the year 2007 and first quarter of year 2008 has significant growth especially the deluxe residential development which is our core business. One Kowloon Peak Phase I marketing will be started after Pre-sale Consent obtained. Villa Cecil Phase III Tower I has completed and fully leased. The development of Tower II has commenced. Site investigation for "New Villa Cecil" at Cheung Chau was completed and the general building plans was approved by the Building Department. Site formation work is expected to commence by the end of the year.

MACAU

The development project at Estrada de Seac Pai Van, Coloane was at the building plan approval stage at the balance sheet date.

CHINA

The Group's development project "Cheuk Nang Garden" in Longhwa Shenzhen was at the state of superstructure construction at the balance sheet date. In addition, the Group has successfully acquired a piece of land in Yue Hang Zu, Hangzhou City in a public auction held in Hangzhou during the year.

MALAYSIA

Development Order for Phase II named "Central Plaza" has been approved by the local authority and the structural and detail drawings are waiting for approval.

PROPERTY VALUATION

A property valuation has been carried out by Messrs. K.T. Liu Surveyors Limited and Henry Butcher Malaysia Sdn. Bhd. in respect of the Group's investment properties as at 30 June 2008 and that valuation was used in preparing 2008 financial statements. The Group's investment properties and investment properties under development were valued at HK$2,050,963,000 and HK$1,744,790,000 respectively making the total HK$3,795,753,000 (2007: investment properties and investment properties under development were valued at HK$1,426,280,000 and HK$1,881,175,000 making the total HK$3,307,455,000). The increase in fair value of approximately HK$440,254,000 was credited to the income statement for the Year. Properties under development for sales of the Group were stated at lower of cost or net realisable value in the financial statements.

POLICY AND OUTLOOK

The global economical outlook is extremely unstable since late September 2008 and expected to be unstable in 2009. Major economies are facing growing radical uncertainties given the unsettled global credit environment. The long-term prospects of China will be stable as supported by its internal growth. The Group has diversified its investment in China, Hong Kong, Macau and Malaysia which will minimize the worldwide economic challenges.

The Group is expecting a hard year ahead but a good future prospect in long run.

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 2008. 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 2008 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 except the following deviations:

1. Code Provision A.4.1

Under the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election. However, all the independent non-executive directors are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the Company's Memorandum and Articles of Association. The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

2. Code Provision A.2.1

Under the code provision A.2.1 of the Code, the role of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. The division of responsibilities between the Chairman and the Chief Executive Officer should be clearly established and set out in writing.

The Company currently cannot comply with the requirement of the Listing Rules to separate the role of Chairman and Chief Executive Officer. We are, through different channels, still looking for a suitable person to act as Chief Executive Officer and with a hope to comply with the requirement in the next financial year.

CLOSURE OF REGISTER

The register of members of the Company will be closed from 10 November 2008 to 14 November 2008 (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 2008 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 7 November 2008.

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.hk in due course.

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

Hong Kong, 10 October 2008

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