



CHEUK NANG (HOLDINGS) LIMITED

卓能（集團）有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 131)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

RESULTS

The unaudited accounts of the Company and its subsidiaries (collectively referred to as the “Group”) which have been reviewed by the Company’s audit committee are listed as follows:

Condensed Consolidated Income Statement

For the six months ended 31 December 2008

		Six months ended 31 December	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
	Note		
Turnover	2	24,289	40,464
Direct costs		<u>(7,339)</u>	<u>(26,764)</u>
Gross profit		16,950	13,700
Other income	3	5,608	2,167
Change in fair value of investment properties		(677,899)	359,236
Change in fair value of property, plant and equipment		(7,460)	–
Change in fair value of financial assets at fair value through profit or loss		(74,132)	26,432
Administrative expenses		(11,334)	(11,294)
Other operating expenses		(23,249)	–
Finance costs	4b	<u>(9,961)</u>	<u>(15,891)</u>
(Loss)/Profit before income tax	4	(781,477)	374,350
Income tax credit/(expense)	5	<u>99,030</u>	<u>(63,188)</u>
(Loss)/Profit for the period		<u>(682,447)</u>	<u>311,162</u>
Attributable to:			
Equity holders of the Company		(606,537)	302,999
Minority interests		<u>(75,910)</u>	<u>8,163</u>
(Loss)/Profit for the period		<u>(682,447)</u>	<u>311,162</u>
Dividends	6	<u>7,924</u>	<u>56,931</u>
(Loss)/Earnings per share	7		
Basic		<u>HK\$(2.29)</u>	<u>HK\$1.38</u>
Diluted		<u>N/A</u>	<u>HK\$1.31</u>

Condensed Consolidated Balance Sheet
As at 31 December 2008

		At 31 December 2008 (Unaudited) HK\$'000	At 30 June 2008 (Audited) HK\$'000
	<i>Note</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		3,110,290	3,795,753
Property, plant and equipment		81,797	90,125
Mortgage loans		72	305
Other non-current asset		950	950
		<u>3,193,109</u>	<u>3,887,133</u>
Current assets			
Properties under development for sale		777,455	746,741
Completed properties for sale		347,449	352,614
Financial assets at fair value through profit or loss	8	116,584	219,811
Trade and other receivables	9	46,394	38,645
Amount due from ultimate holding company		198	600
Amounts due from related companies		2,900	132
Prepaid tax		4,352	2,152
Bank balances and cash		143,390	106,256
		<u>1,438,722</u>	<u>1,466,951</u>
Current liabilities			
Trade and other payables	10	41,255	57,884
Provision for onerous contract	11	14,706	–
Amounts due to minority shareholders		239,990	239,990
Current portion of interest-bearing borrowings		585,127	188,574
Taxation		4,671	7,389
		<u>885,749</u>	<u>493,837</u>
Net current assets		<u>552,973</u>	<u>973,114</u>
Total assets less current liabilities		<u>3,746,082</u>	<u>4,860,247</u>

Condensed Consolidated Balance Sheet (Continued)
As at 31 December 2008

		At 31 December 2008 (Unaudited) HK\$'000	At 30 June 2008 (Audited) HK\$'000
	<i>Note</i>		
Non-current liabilities			
Non-current portion of interest-bearing borrowings		611,000	925,000
Advances from a director		60,057	70,797
Advances from a related company		11,000	11,000
Deferred tax liabilities		320,895	422,004
		1,002,952	1,428,801
NET ASSETS		2,743,130	3,431,446
EQUITY			
Share capital	12	27,105	26,413
Reserves		2,723,751	3,336,849
Total equity attributable to equity holders of the Company		2,750,856	3,363,262
Minority interests		(7,726)	68,184
TOTAL EQUITY		2,743,130	3,431,446

Condensed Consolidated Cash Flow Statement
For the six months ended 31 December 2008

	Six months ended	
	31 December	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash (used in)/from operating activities	(38,764)	6,973
Net cash used in investing activities	(48,209)	(281,051)
Net cash from financing activities	69,748	317,189
Net (decrease)/increase in cash and cash equivalents	(17,225)	43,111
Cash and cash equivalents at 1 July	98,962	61,565
Cash and cash equivalents at 31 December	81,737	104,676
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash as stated in condensed consolidated balance sheet	143,390	115,532
Less: pledged bank balances	(61,653)	–
Less: bank overdrafts	–	(10,856)
	81,737	104,676

Condensed Consolidated Statement of Changes in Equity
For the six months ended 31 December 2008

	Equity attributable to equity holders of the Company						
	Share capital	Exchange reserve*	Share capital reserve*	Share premium*	Retained profits*	Minority interests	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2007	21,785	(51,866)	320,065	766,802	1,689,554	60,610	2,806,950
Dividend paid	–	–	–	–	(41,555)	–	(41,555)
Issue of shares	584	–	–	33,826	–	–	34,410
Share issue expenses	–	–	–	(94)	–	–	(94)
Profit for the period	–	–	–	–	302,999	8,163	311,162
Exchange differences	–	19,641	–	–	–	–	19,641
At 31 December 2007	<u>22,369</u>	<u>(32,225)</u>	<u>320,065</u>	<u>800,534</u>	<u>1,950,998</u>	<u>68,773</u>	<u>3,130,514</u>
At 1 July 2008	26,413	5,272	320,065	1,017,127	1,994,385	68,184	3,431,446
Dividend paid	–	–	–	–	(7,924)	–	(7,924)
Issue of shares	692	–	–	5,192	–	–	5,884
Share issue expenses	–	–	–	(25)	–	–	(25)
Loss for the period	–	–	–	–	(606,537)	(75,910)	(682,447)
Exchange differences	–	(3,804)	–	–	–	–	(3,804)
At 31 December 2008	<u>27,105</u>	<u>1,468</u>	<u>320,065</u>	<u>1,022,294</u>	<u>1,379,924</u>	<u>(7,726)</u>	<u>2,743,130</u>

* These reserve accounts comprise the Group's reserves of HK\$2,723,751,000 (As at 31 December 2007: HK\$3,039,372,000) in the condensed consolidated balance sheet.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2008

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies and basis of preparation adopted in the condensed consolidated interim financial statements are consistent with those adopted in the annual financial statements for the year ended 30 June 2008 except for the accounting policy changes that are expected to be reflected in the 2009 annual financial statements. Details of these changes in accounting policies are set out below.

1.1 ADOPTION OF NEW OR AMENDED HKFRSs

Standards and Interpretations effective in the current period

In the current financial period, the Group has adopted all the new and amended Hong Kong Financial Reporting Standards (“HKFRSs” which term collectively includes individual HKFRS, HKAS and Interpretations) which are generally effective for annual periods beginning on or after 1 July 2008 and relevant to the Group. The adoption of these new and amended HKFRSs does not result in changes to the Group’s accounting policies and has no material effect on the amounts reported for the current or prior periods.

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 financial statements.

Notes to the Condensed Consolidated Financial Statements (*Continued*)

For the six months ended 31 December 2008

1. SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

1.1 ADOPTION OF NEW OR AMENDED HKFRSs (*Continued*)

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 28 (Revised)	Investment in Associates ²
HKAS 31 (Revised)	Interests in Joint Ventures ²
HKAS 32, HKAS 39 & HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligation Arising on Liquidation ¹
HKAS 39 (Amendment)	Eligible Hedged Items ²
HKFRS 1 (Revised)	First-time Adoption of International Financial Reporting Standards ²
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ¹
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Interpretation 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC) – Interpretation 16	Hedges of a Net Investment in a Foreign Operation ³
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners ²
HK(IFRIC) – Interpretation 18	Transfer of Assets from Customers ⁵
Improvements to HKFRSs	Improvements to HKFRSs ⁴

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 October 2008

⁴ Effective for annual periods beginning on or after 1 January 2009, except for the amendments to HKFRS 5, which will be effective for annual periods beginning on or after 1 July 2009

⁵ Effective for transfers of assets from customers received on or after 1 July 2009

Notes to the Condensed Consolidated Financial Statements (*Continued*)

For the six months ended 31 December 2008

2. SEGMENT INFORMATION

An analysis of the Group's turnover and (loss)/profit for the period by principal activities is as follows:

	Turnover		(Loss)/Profit for the period	
	Six months ended		Six months ended	
	31 December		31 December	
	2008	2007	2008	2007
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property sales	–	21,845	–	1,284
Property rental	22,874	17,266	(662,364)	370,430
Estate management	1,204	1,213	225	1,082
Others	211	140	(7,249)	140
	<u>24,289</u>	<u>40,464</u>	<u>(669,388)</u>	<u>372,936</u>
Unallocated operating income and expenses			(102,128)	17,305
Finance costs			(9,961)	(15,891)
(Loss)/Profit before income tax			(781,477)	374,350
Income tax credit/(expense)			99,030	(63,188)
(Loss)/Profit for the period			<u>(682,447)</u>	<u>311,162</u>

Note:

Certain comparative figures have been reclassified to conform with current period's presentation. In the opinion of the Company's directors, such classification provide a more appropriate presentation of the Group's segment information.

3. OTHER INCOME

	Six months ended	
	31 December	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Gain on disposal of financial assets at fair value through profit or loss	641	541
Recovery of bad debts previously written off	10	275
Dividend income	1,840	1,173
Exchange gain, net	2,080	–
Sundry income	1,037	178
	<u>5,608</u>	<u>2,167</u>

Notes to the Condensed Consolidated Financial Statements (Continued)
For the six months ended 31 December 2008

4. (LOSS)/PROFIT BEFORE INCOME TAX

This is stated after charging the following:

	Six months ended	
	31 December	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(a) Other items		
Depreciation	1,199	647
Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	4,214	4,102
Contribution to defined contribution plans	117	116
Cost of properties sold	–	20,562
Provision for onerous contract	14,706	–
	14,706	–
(b) Finance costs		
Interest charges on financial liabilities:		
Bank loans and overdrafts wholly		
repayable within five years	17,804	18,888
Advances from a related company	387	2,216
Advances from a director	2,384	5,657
Other incidental borrowing costs	76	805
	20,651	27,566
Total borrowing costs	20,651	27,566
Less: Interest capitalised into investment properties		
and properties under development for sale	(10,690)	(11,675)
	(10,690)	(11,675)
Total interest charges for financial liabilities		
not at fair value through profit or loss	9,961	15,891

Notes to the Condensed Consolidated Financial Statements (*Continued*)

For the six months ended 31 December 2008

5. INCOME TAX CREDIT/(EXPENSE)

Hong Kong Profits Tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation (credited)/charged to the condensed consolidated income statement represents:

	Six months ended 31 December	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax – current period	1,249	1,548
Deferred tax – current period	(100,279)	61,640
Total income tax (credit)/expense	(99,030)	63,188

6. DIVIDENDS

	Six months ended 31 December	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Final dividend of HK3 cents (2007: HK19 cents) per share	7,924	41,555
Proposed interim dividend of HK\$Nil (2007: HK6 cents) per share	–	15,376
	7,924	56,931

During the period, scrip dividend alternative was offered to shareholders in respect of 2008 final dividend. This alternative was accepted by shareholders as follows:

	Six months ended 31 December	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Dividends:		
Cash	2,040	11,729
Share alternative	5,884	29,826
	7,924	41,555

Notes to the Condensed Consolidated Financial Statements (*Continued*)

For the six months ended 31 December 2008

7. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share for the period is based on the following data:

(Loss)/Earnings

	Six months ended 31 December	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Loss)/Profit attributable to equity holders of the Company for the purpose of calculating basic and diluted earning per share	(606,537)	302,999

Number of shares

	At 31 December 2008 (Unaudited)	At 31 December 2007 (Unaudited)
Weighted average number of ordinary shares for the purposes of basic (loss)/earnings per share	264,959,314	220,348,127
Effect of dilutive potential ordinary shares:		
Warrants	—	10,783,650
Weighted average number of ordinary shares for the purposes of diluted (loss)/earnings per share	264,959,314	231,131,777

No diluted loss per share has been presented for the period ended 31 December 2008 as the outstanding warrants had an anti-dilutive effect on the basic loss per share.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 December 2008 (Unaudited) HK\$'000	At 30 June 2008 (Audited) HK\$'000
Held for trading		
Equity securities listed in Hong Kong	116,584	219,811

Notes to the Condensed Consolidated Financial Statements (*Continued*)
For the six months ended 31 December 2008

9. TRADE AND OTHER RECEIVABLES

	At 31 December 2008 (Unaudited) HK\$'000	At 30 June 2008 (Audited) HK\$'000
Trade receivables	1,436	2,558
Prepayments, deposits and other receivables	44,958	36,087
	<u>46,394</u>	<u>38,645</u>

The Group maintains a controlled credit policy to minimise any credit risk associated with trade receivables. The ageing analysis of the trade receivables (net of impairment for bad and doubtful debts) is as follows:

	At 31 December 2008 (Unaudited) HK\$'000	At 30 June 2008 (Audited) HK\$'000
0 – 30 days	804	714
31 – 60 days	322	44
61 – 90 days	52	10
Over 90 days	258	1,790
	<u>1,436</u>	<u>2,558</u>

10. TRADE AND OTHER PAYABLES

	At 31 December 2008 (Unaudited) HK\$'000	At 30 June 2008 (Audited) HK\$'000
Trade payables	962	1,104
Accrued charges and other payables	40,293	56,780
	<u>41,255</u>	<u>57,884</u>

Notes to the Condensed Consolidated Financial Statements (*Continued*)

For the six months ended 31 December 2008

10. TRADE AND OTHER PAYABLES (*Continued*)

The ageing analysis of the trade payables is as follows:

	At 31 December 2008 (Unaudited) HK\$'000	At 30 June 2008 (Audited) HK\$'000
0 – 30 days	265	559
31 – 60 days	87	67
61 – 90 days	53	43
Over 90 days	557	435
	<u>962</u>	<u>1,104</u>

11. PROVISION FOR ONEROUS CONTRACT

The onerous contract provision represent the difference between the fair value of a land situated outside Hong Kong as at 31 December 2008 and the consideration that the Group is presently obligated to pay under a sales and purchase agreement.

12. SHARE CAPITAL

	Authorised (Unaudited) No. of shares	(Unaudited) HK\$'000	Issued and fully paid (Unaudited) No. of shares	(Unaudited) HK\$'000
Ordinary shares of HK\$0.10 each				
At 1 July 2008	10,000,000,000	1,000,000	264,131,642	26,413
Issue of shares pursuant to scrip dividend scheme (<i>note 1</i>)	–	–	6,922,349	692
At 31 December 2008	<u>10,000,000,000</u>	<u>1,000,000</u>	<u>271,053,991</u>	<u>27,105</u>

Notes:

- On 10 December 2008, the Company issued and allotted a total of 6,922,349 ordinary shares of HK\$0.10 each in the Company at HK\$0.85 to the shareholders who elected to receive shares in the Company in lieu of cash for the 2008 final dividend pursuant to the scrip dividend scheme announced by the Company on 17 November 2008. An amount of HK\$5,192,000 in excess of par value was credited to the share premium account. These shares rank pari passu with the existing shares of the Company in all respects.
- On 8 February 2007, the Company passed a resolution to approve the issue of one warrant for every five existing shares of the Company held by the shareholders (“2009 Warrants”). On 12 February 2007, the Company issued 37,175,810 units of 2009 Warrants. The holders of 2009 Warrants are entitled to subscribe at any time during 12 February 2007 to 11 February 2009 for fully paid shares of the Company at an initial subscription price of HK\$5 per share (subject to adjustment). Following a warrant issued on 28 March 2007 and the rights issue in 2008 and 2007, the subscription price was adjusted to HK\$4.87 per share on 1 February 2008. During the period, no 2009 Warrants were exercised. As at 31 December 2008, 29,441,102 units of 2009 Warrants remained outstanding.

Notes to the Condensed Consolidated Financial Statements (*Continued*)

For the six months ended 31 December 2008

13. CAPITAL COMMITMENTS

Capital commitments in respect of properties under development outstanding and acquisition of land not provided for in the financial statements are as follows:

	At 31 December 2008 (Unaudited) HK\$'000	At 30 June 2008 (Audited) HK\$'000
Authorised but not contracted for	119,827	228,565
Contracted but not provided for	464,964	457,720
	<u>584,791</u>	<u>686,285</u>

14. PLEDGE OF ASSETS

At 31 December 2008, the Group's total bank borrowings of HK\$1,196,127,000 (30 June 2008: HK\$1,113,574,000) were secured by the following:

- (i) legal charges on certain of the Group's investment properties, properties for sale and property plant and equipment with carrying values of HK\$2,321,650,000 (30 June 2008: HK\$2,664,063,000), HK\$712,129,000 (30 June 2008: HK\$692,449,000) and HK\$75,000,000 (30 June 2008: HK\$83,000,000), respectively;
- (ii) floating charge over all the assets and undertakings of certain subsidiaries;
- (iii) charge over certain bank account balances with carrying values of HK\$61,653,000 (30 June 2008: HK\$7,294,000);
- (iv) mortgages over the shares of certain subsidiaries; and
- (v) assignments of sale proceeds, insurance proceeds, rental income and deposits arising from the tenancy agreements of certain properties.

Notes to the Condensed Consolidated Financial Statements (*Continued*)

For the six months ended 31 December 2008

15. SIGNIFICANT RELATED PARTY TRANSACTIONS

Details of significant related party transactions which were carried out in the ordinary course of the Group's business are as follows:

		Six months ended 31 December	
		2008	2007
		(Unaudited)	(Unaudited)
Note		HK\$'000	HK\$'000
	Salaries and other short-term employee benefits paid to key management personnel, including amounts paid to the Company's directors	2,317	2,089
	Interest paid to Cecil Chao & Associates Limited ("CCAL")	(a) 387	2,216
	Interest paid to Dr. Chao Sze-Tsung Cecil	(b) 2,384	5,657
	Fees paid to CCAL	(c)	
	Architect and other professional service fees	1,200	3,644
	Rental income received from	(d)	
	Yan Yin Company Limited ("Yan Yin")	30	30
	CCAL	453	453
	Administration fee received from	(e)	
	Yan Yin	36	36
	CCAL	120	120
	Commission paid to Szehope Securities Company Limited	(f) 92	521
	Purchase of a wholly owned subsidiary from Dr. Cha Sze-Tsung Cecil	–	17,163
	Consideration paid for assignment of debt from Dr. Chao Sze-Tsung Cecil	–	22,642
		<u>–</u>	<u>22,642</u>

(a) CCAL has provided unsecured advances, which have no fixed repayment term, to the Group at 1.8% (2007: 1.8%) above the Hong Kong dollar prime rate per annum. At 31 December 2008, the advances from CCAL to the Group amounted to HK\$11,000,000 (30 June 2008: HK\$11,000,000). CCAL has confirmed that it will not request repayment of these advances until such time as the Group is in a position to repay. Dr. Chao Sze-Tsung Cecil, is a director and beneficial owner of CCAL.

(b) Dr. Chao Sze-Tsung Cecil has provided unsecured advances, which have no fixed repayment term to the Group at 1.8% (2007:1.8%) above the Hong Kong dollar prime rate per annum. At 31 December 2008, the advances from Dr. Chao Sze-Tsung Cecil to the Group amounted to HK\$60,057,000 (30 June 2008: HK\$70,797,000). Dr. Chao Sze-Tsung Cecil has confirmed that he will not request repayment of these advances until such time as the Group is in a position to repay.

Notes to the Condensed Consolidated Financial Statements (*Continued*)

For the six months ended 31 December 2008

15. SIGNIFICANT RELATED PARTY TRANSACTIONS (*Continued*)

- (c) CCAL rendered architectural and related services to the Group on terms agreed between both parties.
- (d) Certain properties were leased to Yan Yin and CCAL as office premises on terms mutually agreed between both parties.
- (e) The Group charged administration fee to Yan Yin and CCAL for handling services rendered on terms agreed between both parties.
- (f) Dr. Chao Sze-Tsung Cecil is the beneficial owner of Szehope Securities Company Limited.

16. CONTINGENCIES

On 18 November 2008, a subsidiary of the Group (the “Subsidiary”) commenced litigation against a contractor (the “Contractor”) for non-performance of a contract (the “Claim”). The Subsidiary claimed for termination of the contract, handover of the construction site and compensation of approximately HK\$36.52 million. The directors believe, based on legal advice, that it is probable that the claim will be successful and monetary compensation is expected. No asset is recognised in respect of this claim.

REVIEW OF OPERATIONS

Hong Kong Properties

The Hong Kong's economy experienced a significant slowdown in the third quarter of 2008 and the labour market saw some contraction in the fourth quarter of 2008. The unemployment rate increased from 3.4% in September 2008 to 4.1% in December 2008 and the upswing is expected to continue as the current financial turmoil further deepens in 2009. Hong Kong's residential property market felt the chill from the financial fallout and homebuyers turned cautious. Some support has shown in property sales at the reduced sale price.

The progress of our projects are as follows:–

1. *One Kowloon Peak, No. 8 Po Fung Terrace, Ting Kau, Tsuen Wan*

The pre-sale consent for Phase I and Phase II has been applied under the review of District Lands Office. It is anticipated that such consents may be obtained this year.

2. *Villa Cecil Phase II, 192 Victoria Road, Pokfulam*

Over 80% of the apartments in Villa Cecil Phase II are leased out. Negotiations for the renewal of tenancies expiring this year are in progress.

3. *Villa Cecil Phase III, 216 Victoria Road, Pokfulam*

Apartment block 1 is fully rented. The site formation work of apartment block 2 is in progress. Superstructure work will be commenced this year.

4. *Cheuk Nang Plaza, 250 Hennessy Road*

The occupancy of the building is 80%.

5. *Cheuk Nang Lookout, 30 Severn Road, The Peak*

House B is under leased. House C is vacant and marketing is carried out by our leasing department.

6. *New Villa Cecil, Shui Hang, Cheung Chau*

The site formation work and foundation work has commenced.

China Properties

Although from January to August 2008, Shenzhen's economy developed in a relatively steady pace, the global economic downturn also affect a significant slowdown happened in the third quarter of 2008. The People's Bank of China reduced its one-year benchmark lending rates by 0.27% for the first time in 4 years and lowered the required reserve ratio for the small and medium sized financial institutions by 1% for the first time in nearly 9 years. This shows the determination of support of the Central Government to the market. Meanwhile, end user dominated the market. The transaction volume of the secondary market dropped comparing with the previous year. The Hong Kong Mass Transit Railway has confirmed its participation in the construction and operation of the Shenzhen Metro Line 4 project. The Longhwa Station of Line 4 which may be expected to completed by 2011 has positive impact for our project.

Cheuk Nang Garden, Longhwa, Shenzhen

Since the main contractor Guangdong Provincial 8th Construction Group Co., Ltd. (廣東省八建集團有限公司) ("the Main Contractor") has unreasonably delayed the progress of the work, the contracted period was already expired on 24 August 2008. The Group has initiated an action against the Main Contractor. Petition was submitted to the Shenzhen Baoan People's Court (深圳寶安區人民法院) in December 2008 and the first trial was heard in February 2009. The Court will appoint a surveyor to conduct a survey on the volume of work completed by the Main Contractor. It is expected that the valuation report will be available in two to three months and the appointment of surveyor has been confirmed. The date of second trial will soon be fixed after the valuation report is available.

Yue Hang Zu, Hangzhou City

The Group has acquired a piece of land in Yue Hang Zu, Hangzhou at a public auction held on 25 June 2008 in Hangzhou at a consideration of RMB188,000,000 (approximately HK\$218,080,000) and deposit of HK\$31,000,000 has been paid before the auction.

In order to preserve the liquidity of the Group, the Group has appointed a lawyer in Hangzhou to negotiate with the Hangzhou government to defer the payment of the land price and completion date or to make any other arrangement.

Macau Properties

In view of the current financial market crash, the Macau government has announced a series of measures in November 2008 to release the financial burden of the Macau residents including (i) the provision of 4% subsidy on mortgage interest rates, (ii) exemption of the stamp duty and (iii) the provision of guarantee on mortgage. The construction of the Delta Bridge is confirmed and construction works will be carried out in near future. It is anticipated that the Delta Bridge will be completed by 2015. The construction of the Delta Bridge will have positive impact on Macau's economy and the property market as a whole.

Estrada de Seac Pai Van, Coloane

The architectural building plans (ante projecto) submitted are still pending Government reply. The validity of the alignment plan (Green Line Plan) issued by the Town Planning Department has been extended for one year until 19 October 2009. We have liaised with the DSSOPT numerous times and understand that our architectural building plans are under review by various government departments. Viewing the size of our project, our submission has to be reviewed by various departments, it is expected that a reply in respect of their comments on our submission will be issued within this year.

Malaysia Properties

The growth of the Malaysian economy slowed to 0.1% in the fourth quarter of 2008. The growth was affected by the sharply weaker external demand, that has resulted in a further decline in net real exports of goods and services. Nevertheless, domestic demand continued to provide some support mainly by private consumption and public spending. Inflation was moderated in the fourth quarter of 2008 due mainly to a series of downward adjustments of retail fuel prices by the Government. The property market has been adjusted downward in a moderate level comparing with other part of the world.

Cecil Chao Centre

Lot 690, 849, 851 and 1280, Section 57, Lorong Perak, Kuala Lumpur, Malaysia

Phase I named "Parkview"

The serviced apartments located between Level 2 to Level 11 are leased out at satisfactory rate with steady income under our local management in Kuala Lumpur.

Phases II to V named "Central Plaza"

The Development order has been issued by the Government. The local architect in Malaysia anticipated that the building construction plans and the detail drawings expected may be approved within year 2009. The foundation tender documents are now under preparation.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

Turnover for the six months ended 31 December 2008 (the "Period") amounted to HK\$24,289,000 (31 December 2007: HK\$40,464,000), a 40.0% decrease over the same period last year. It was mainly due to the decrease in turnover of sale of properties in Malaysia but partly compensated by increase in rental income from investment properties in Hong Kong.

For property leasing, the Period recorded an increase of 32.5% in rental income as compared with the corresponding period in 2007, amounting HK\$22,874,000 (31 December 2007: HK\$17,266,000).

Gross profit for the Period amounted to HK\$16,950,000, an 23.7% increase as compared with the same period last year.

Other income recorded an increase of 158.8% to HK\$5,608,000 when compared with the same period last year. The increase in other income was mainly due to exchange gain on Renimbi deposit by PRC subsidiaries. Loss on fair value adjustment on financial assets amounted to HK\$74,132,000. (31 December 2007: gain of HK\$26,432,000). Fair value adjustment on investment properties and properties changed from gain to loss for the Period amounted to HK\$685,359,000 (31 December 2007: gain of HK\$359,236,000). No material changes in administrative expenses of HK\$11,334,000 as compared with the same period last year. Other expenses of HK\$23,249,000 recorded for the period mainly represent the provision of onerous contract in respect of a land contracted to acquire in Hangzhou amounting to HK\$14,706,000. Finance costs recorded a decrease of 37.3% to HK\$9,961,000 as compared with the same period last year.

Loss attributable to equity holders of the Company for the Period was HK\$606,537,000 as compared to a profit of HK\$302,999,000 for the same period last year. Basic loss per share was HK\$2.29 (31 December 2007: basic earnings per share HK\$1.38) and no diluted loss per share for the Period (31 December 2007: diluted earnings per share HK\$1.31).

No interim dividend for the Period (31 December 2007: HK6 cents). The Board has proposed a bonus issue of warrants on the basis of one 2010 warrants for every six issued share held.

TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

As at 31 December 2008, the Group's total equity attributable to equity holders of the Company amounted to approximately HK\$2,750,856,000 (30 June 2008: HK\$3,363,262,000), a decrease of HK\$612,406,000 or 18.2% when compared with 30 June 2008. With the total number of ordinary shares in issue of 271,053,991 as at 31 December 2008 (30 June 2008: 264,131,642 shares), the total equity attributable to equity holders of the Company per share was HK\$10.15, a decrease of 20.3% over 30 June 2008: HK\$12.73. The decrease in total equity attributable to equity holders of the Company per share was mainly decrease in fair value of investment properties and property of the Group during the Period.

Included in the total equity attributable to equity holders of the Company is deferred tax liabilities of HK\$320,895,000 on fair value gains on investment properties. If the deferred tax liabilities are excluded, the total equity attributable to equity holders of the Company will become HK\$3,071,751,000 or HK\$11.33 per share.

Other than the existing projects and those disclosed in the interim report, the Group did not have any plans for material investment or acquiring capital assets.

SECURITIES INVESTMENT

As at 31 December 2008, the listed securities investment was HK\$116,584,000. During the Period, the portfolio was decreased by a net disposal of HK\$29,095,000 and loss in fair value of HK\$74,132,000. The listed securities investments of HK\$116,584,000 as at 31 December 2008 representing 2.5% (30 June 2008: 4.1%) of the total assets.

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 31 December 2008 and 30 June 2008 were 271,053,991 and 264,131,642 respectively.

DEBT AND GEARING

As at 31 December 2008, the Group's bank and other borrowings amounted to HK\$1,267,184,000 (30 June 2008: HK\$1,195,371,000). Cash and bank balances amounted to HK\$143,390,000 (30 June 2008: HK\$106,256,000) and net borrowing amounted to HK\$1,123,794,000 (30 June 2008: HK\$1,089,115,000).

Total debts to equity ratio was 46.1% (30 June 2008: 34.8%) and net debt to equity ratio was 40.9% (30 June 2008: 31.7%).

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

At the balance sheet date, the Group's bank and other borrowings were denominated in Hong Kong dollars 95.5% and Renminbi 4.5%. Of the Group's total bank and other borrowings HK\$1,267,184,000, 46.2%, 9.1% and 44.7% were repayable within 1 year, 1 to 2 years and 2 to 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 Period.

PLEDGE OF ASSETS

As at 31 December 2008, the Group's investment properties, properties for sales and property, plant and equipment with their respective carrying value of HK\$2,321,650,000 (30 June 2008: HK\$2,664,063,000), HK\$712,129,000 (30 June 2008: HK\$692,449,000) and HK\$75,000,000 (30 June 2008: HK\$83,000,000) 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 Period was HK\$10,690,000 as compared to HK\$11,675,000 for the same period last year. Interest expenses for the Period amounted to HK\$9,961,000, representing 37.3% decrease over the interest expenses of HK\$15,891,000 recorded for the same period last year. The decrease in interest expense was mainly due to decrease in interest rate during the Period. The average interest rate over the period under review was 1.67% (31 December 2007: 2.64%) which was expressed as a percentage of total interest expenses over the average total borrowing.

REMUNERATION POLICIES AND SHARE OPTION SCHEME

During the period under review, the Group employed a total of 49 (31 December 2007: 46) 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 Period.

HONG KONG

Due to the financial crisis since the last quarter of 2008, the properties market dropped significantly. However there is no material effect on rental income to the Group up to the reporting date. The development of Villa Cecil Phase III Tower II has commenced. Site formation and foundation work for "New Villa Cecil" at Cheung Chau has commenced.

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 delayed by the main contractor. As at the reporting date, legal application was made to the Shenzhen Baoan People's Court against the main contractor for claiming damages and termination of the contract. The case was pending for judgement of the Court. In addition, the Group has successfully acquired a piece of land in Yue Hang Zu, Hangzhou City in a public auction held in Hangzhou in June 2008 and scheduled to be completed on 5 January 2009. However, owing to the global market crash, the Group intends to preserve its liquidity. The Group has appointed a lawyer in Hangzhou to negotiate with the Hangzhou authority for deferring the project. As at the reporting date, no agreement has been reached.

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 Directors in respect of the Group’s investment properties and certain property, plant and equipment as at 31 December 2008 and that valuation was used in preparing the financial statements for the six months ended 31 December 2008. The Group’s investment properties and investment properties under development were valued at HK\$1,459,716,000 and HK\$1,650,574,000 respectively making the total HK\$3,110,290,000 (30 June 2008: investment properties and investment properties under development were valued at HK\$2,050,963,000 and HK\$1,744,790,000 making the total HK\$3,795,753,000). The Group’s land and building held for own use carried at fair value were valued at HK\$75,000,000 (30 June 2008: HK\$83,000,000). The aggregate decrease in fair value of approximately HK\$685,359,000 was charged to the income statement for the Period. 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

For the year 2009, major economies are facing growing radical uncertainties given the unsettled global credit environment. 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.

INTERIM DIVIDEND

The Board of Directors do not recommend the payment of interim dividend.

PURCHASE AND CANCELLATION OF SHARES

There was no redemption, purchase or cancellation of shares by the Company or any of its subsidiaries during the six months ended 31 December 2008.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

The Board believes that good corporate governance is crucial to improve the efficiency and performance of the Group and to safeguard the interests of the shareholders. During the period, the Company had complied with the relevant provisions set out in the Code on Corporate Governance Practices (the “CGP Code”) based on the principles set out in Appendix 14 to the Listing Rules, save for the following:

- (i) the non-executive directors were not appointed for a specific term. However, they are subject to retirement by rotation and re-election at the annual general meetings of the Company pursuant to the Bye-Laws of the Company. As such, the Company considers that such provisions are sufficient to meet the underlying objectives of the relevant provisions of the CGP Code;

- (ii) the role and responsibilities of Chairman and the Chief Executive Officer are not separated as we are still looking for suitable person to act as Chief Executive Officer.

Board Audit Committee

The Board Audit Committee comprises Messrs. Lam Ka Wai Graham, Leung Wing Kong Joseph and Dr. Sun Ping Hsu Samson, all being independent non-executive directors of the Company. The Committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed the auditing, internal controls and financial reporting matters including a review of the unaudited interim results of the Company for the six months ended 31 December 2008.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (“the Model Code”) as the code of conduct regarding directors’ securities transactions.

Having made specific enquiry of all directors of the Company, they have complied with the required standard set out in the Model Code for the period.

By order of the Board
CECIL CHAO SZE-TSUNG
Executive Chairman

Hong Kong, 26 March 2009

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