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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 2009

CHAIRMAN'S STATEMENT

I present herewith to shareholders the report of Cheuk Nang (Holdings) Limited (the "Company", together with its subsidiaries, the "Group") for the year ended 30 June 2009.

RESULTS AND DIVIDEND

The consolidated loss after income tax of our Group for the year ended 30 June 2009 is HK$504,642,000 (2008: profit of HK$369,658,000). Details are set out in the consolidated income statement. The loss was mainly attributable to the written down of the valuation of our investment properties.

The Directors do not recommend the payment of final dividend.

BONUS ISSUE OF WARRANTS

A bonus warrants of 45,175,665 units at an initial share subscription price at HK$0.75 per share were issued on 4 May 2009 ("2010 Warrants"). The 2010 Warrants are exercisable at any time between 4 May 2009 and until 4:00 p.m. on 4 May 2010. The warrants are listed on the Hong Kong Stock Exchange with stock code no. 436 and the dealing was commenced on 6 May 2009. There is very substantial gain of the value for the 2010 Warrants which have been issued to the shareholders.

Until now, there are a total of 1,169,430 units of 2010 Warrants are being exercised, being approximately 2.59% of the total issued warrants and a sum of HK$877,000 being credited to the accounts.

PROPOSED BONUS ISSUE OF WARRANTS

The directors proposed to issue a new bonus warrants to shareholders in the proportion of every ten existing shares held be allotted one bonus warrant. Holder of one bonus warrant is entitled to exercise the warrant within 12 months after issuance for subscription of one share at an initial subscription price of HK$1.60 per share. Subject to the shareholders' and stock exchange approval, the proposed bonus warrants will be issued on 23 November 2009.

REVIEW OF OPERATIONS AND PROSPECTS

Hong Kong Properties

Hong Kong's luxury residential market experienced a increment in value during the 2nd half of 2009 but there are a large divergence in sales prices and the rents during the year. Both transaction volumes and prices of the residential market have risen on improved sentiment, driven by the new investors from Mainland China, the historical low interest rates, investment activities had bottomed out, high bank liquidity and continued economic growth. Although the luxury residential rental remained weak, the rent has been more stabilized during the second half of 2009.

The progress of our projects are as follows:-

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

   Phase I
   The pre-sale consent is still pending for the approval. Many discussions has been held between ourselves and the senior officers of District Lands Office to solve the tree felling matters and other issues. Mutual understandings were reached and we anticipate that the problem should be solved shortly.

   Phase II
   The building plans was already approved by the Buildings Department and the permit for commencement of site formation work has also been issued by the Buildings Department, but we are now still pending for issuance of the tree felling permit and District Lands Office's approval before commencement of the work which is estimated to be started soon.

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

   80% of the units are rented. The rental for the new and renewed tenancy since 2008 has been slightly reduced but more stabilized since last three months. The proposed new line of the Mass Transit Railway from the Western District and Aberdeen will improve the convenience of the transportation for the area. There are room for increment in property price and rental.

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

   75% of the residential units of Block 1 are rented out. The piling work of Block 2 was completed in September, 2009. The superstructure contract has already been awarded. It is anticipated that the pile cap will takes about three months' time to complete and superstructure work will follow thereafter. It is anticipated that the all building works will be finished in about eighteen months.

4. *Cheuk Nang Plaza, 250 Hennessy Road*

   The occupancy of the building remains 80%, rents remains satisfactory.

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

   House B is under leased. House C is vacant and under renovation. Marketing will be carried out by our leasing department as soon as the renovation is completed in the next two months.

6. *New Villa Cecil, Lot No. 1848 in Demarcation District, Shui Hang, Cheung Chau*

   The site formation and foundation work is anticipated to be completed by end of 2009. The superstructural tendering is under progress and the work is anticipated to commence early next year.

China Properties

The market confidence was boosted since beginning of 2009, and the transactions were active during the year. With increasing confidence, developers launched more projects in the second quarter. New properties in Shenzhen that have obtained pre-sale approval are increased by 42%. Baoan and Longgang took up almost 70% of the new supply. With the limited future supply, the transaction volume and price of both the primary and secondary market have been increased.

Cheuk Nang Garden

Longhwa, Longgang, Shenzhen

The litigation with the main contractor Guangdong Provincial 8th Construction Group Co., Ltd. (廣東省八建集團有限公司) is still in progress. The independent Quantity Surveyor appointed by the Shenzhen Baoan People's Court (深圳寶安區人民法院) has recently issued their assessment report. We have already submitted our comments on the report to the Court. It is anticipated that the Quantity Surveyor will finalise their opinion soon and the District Court will have decision on the case within the next three months. The completion of the Metro Line 4 to Longhwa and new construction of the train station in Longhwa will benefit the residential market for our development.

Yue Hang Zu, Hangzhou City

The Group is still negotiating with the Hangzhou government for the new payment terms of the land price and completion date. No agreement has been reached but discussion with the authority is continued under friendly atmosphere.

Macau Properties

Following the introduction of new measures by the Macau government in November 2008 for provision of 4% subsidy on mortgage interest rates and the provision of guarantee on mortgage, the property market in Macau become more active especially in the second hand market. The turnover and the transaction volume of the second quarter of 2009 have doubled the first quarter.

The construction of the Delta Bridge has been launched and this will benefit the overall economy, tourism sector and the property sectors when the bridge is completed.

Estrada de Seac Pai Van, Coloane

The Macau government has recently announced its town plan scheme for Seac Pai Van to develop a large residential and commercial centre which can accommodate 60,000 residents and tourists. This shows a positive intention of the planning department for the future of Seac Pai Van.

The architectural building plans (ante projecto de obra) submitted are still pending Government reply. We have had constant contacts and meetings with the government officials regarding their comments for the submitted plans. The annual application for renewal of the alignment plan has also been submitted by our architect in Macau.

Malaysia Properties

Whilst Malaysia has basically successfully maintained basic stability during this period of global uncertainty, Malaysia has aggressively implemented measures to promote domestic demand which is a driving force to achieve a more balanced growth. Following the reduction in interest rates, retail borrowing costs have reached to new historical low level. It is expected that the property market will be stabilized in the second half of the year.

Cecil Chao Centre

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

Phase I named "Parkview"

The serviced apartments operated by our local management are leased out at a satisfactory rate with steady return. The vacant land used as a temporary car park and entertainment pub and restaurant has also fetched some income.

Phases II to V named "Central Plaza"

Development Order and building plans (structural and detail drawings) both have approved by the authority. The preparation of the foundation tender documents is at final stage and will be issued next month.

INVESTMENT IN HONG KONG STOCK MARKET

The Group has acquired Hong Kong stocks since August 2007. The value of the investment as at 30 June 2009 was HK$152,167,000. Up to 29 September 2009, the stock investment in the amount of HK$51,425,000 has been sold. The remaining value of the stock investment as at 29 September 2009 is HK$120,476,000.

OUTLOOK

The Hong Kong economy has showed signs of stabilisation in the third quarter of this year following improvements in the international financial markets and continuing growth of China. To a large extent, it is attributed to policy and measures undertaken decisively and jointly by all nations in good timing to tackle the impact brought by the financial tsunami.

Although the year 2009 to 2010 the Hong Kong financial and property markets are likely to be bottomed up, the global economy is expected to be slightly moderated following the synchronized recession still remaining in many advanced economies. The business of our Group in the forthcoming year will show sign of improvement as compared with last year. Baring from unforeseen circumstances, it is expected that the Group will achieve better result and turn to profit in the next financial year.

DIRECTORS

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; the Independent Non-Executive Directors are Dr. Sun Ping Hsu, Samson, Mr. Leung Wing Kong, Joseph and Mr. Lam Ka Wai, Graham.

By order of the Board
CECIL CHAO
Executive Chairman

Hong Kong, 30 September 2009

RESULTS

The Group's audited consolidated income statement for the year ended 30 June 2009 with comparative figures for 2008 is listed as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2009

	Notes	**2009** *HK$'000*	2008 *HK$'000*
Revenue	4	**46,949**	67,273
Direct costs		**(12,217)**	(35,949)
Gross profit		**34,732**	31,324
Other income	6	**24,751**	18,941
Change in fair value of investment properties		**(479,043)**	440,254
Change in fair value of property, plant and equipment		**(3,306)**	30,080
Change in fair value of financial assets at fair value through profit or loss		**(31,565)**	(47,274)
Administrative expenses		**(23,092)**	(29,416)
Other operating expenses		**(73,183)**	–
Finance costs	7	**(15,752)**	(21,904)
(Loss)/Profit before income tax	8	**(566,458)**	422,005
Income tax credit/(expense)	9	**61,816**	(52,347)
(Loss)/Profit for the year		**(504,642)**	369,658
Attributable to:			
Equity holders of the Company		**(448,392)**	362,084
Minority interests		**(56,250)**	7,574
(Loss)/Profit for the year		**(504,642)**	369,658
Dividends	10	**–**	23,748
(Loss)/Earnings per share	11		
Basic		**(HK$1.67)**	HK$1.54
Diluted		**N/A**	HK$1.49

CONSOLIDATED BALANCE SHEET
As at 30 June 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**3,309,209**	3,795,753
Property, plant and equipment		**83,494**	90,125
Available-for-sale financial assets		**–**	–
Mortgage loans		**126**	305
Other non-current asset		**950**	950
		3,393,779	3,887,133
Current assets			
Properties under development for sale		**798,297**	746,741
Completed properties for sale		**347,878**	352,614
Financial assets at fair value through profit or loss		**152,167**	219,811
Trade and other receivables	12	**15,151**	38,645
Amount due from ultimate holding company	14	**132**	600
Amounts due from related companies	14	**900**	132
Prepaid tax		**263**	2,152
Bank balances and cash		**35,922**	106,256
		1,350,710	1,466,951
Current liabilities			
Trade and other payables	13	**62,988**	57,884
Amounts due to minority shareholders	14	**239,990**	239,990
Current portion of interest-bearing borrowings		**536,000**	188,574
Taxation		**3,541**	7,389
		842,519	493,837
Net current assets		**508,191**	973,114
Total assets less current liabilities		**3,901,970**	4,860,247
Non-current liabilities			
Non-current portion of interest-bearing borrowings		**582,000**	925,000
Advances from a director		**71,477**	70,797
Advances from a related company		**–**	11,000
Deferred tax liabilities		**355,289**	422,004
		1,008,766	1,428,801
Net assets		**2,893,204**	3,431,446
EQUITY			
Share capital		**27,151**	26,413
Reserves		**2,854,119**	3,336,849
Total equity attributable to equity holders of the Company		**2,881,270**	3,363,262
Minority interests		**11,934**	68,184
Total equity		**2,893,204**	3,431,446

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.

Basis of preparation

The 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"), and the requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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 financial statements have been prepared on the historical cost basis, 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 stated at fair values.

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 judgement 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 year, the Group has applied for the first time all the new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 July 2008.

The new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

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

At the date of authorisation of these financial statements, the following new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

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 Obligations Arising on Liquidation [1]
HKAS 39 (Amendment)	Eligible Hedged Items [2]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards [2]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters [5]
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 2 (Amendment)	Share-based Payment – Group Cash-settled Share-based Payment Transactions [8]
HKFRS 3 (Revised)	Business Combinations [2]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments [1]
HKFRS 8	Operating Segments [1]
HK(IFRIC) – Interpretation 2 (Amendment)	Members' Shares in Co-operative Entities and Similar Instruments [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 [4]
Various	Improvements to HKFRSs [6]
Various	Improvements to HKFRSs 2009 [7]

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 October 2008
[4] Effective for transfers of assets from customers received on or after 1 July 2009
[5] Effective for annual periods beginning on or after 1 January 2010
[6] Effective for annual periods beginning on or after 1 January 2009 unless otherwise stated in the specific HKFRS
[7] Effective for annual periods beginning on or after 1 January 2010 unless otherwise stated in the specific HKFRS
[8] Effective for annual periods beginning on or after 1 January 2010, subject to the transitional requirements in HKFRS 2

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

Among these new standards and interpretations, HKAS 1 (Revised) "Presentation of Financial Statements" is expected to materially change the presentation of the Group's financial statements. The amendments affect the presentation of owner changes in equity and introduce a statement of comprehensive income. The Group will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The amendment does not affect the financial position or results of the Group but will give rise to additional disclosures.

In addition, HKFRS 8 Operating Segments may result in new or amended disclosures. The directors are in the process of identifying reportable operating segments as defined in HKFRS 8.

The directors are currently assessing the impact of other new and amended HKFRSs upon initial application. So far, the directors have preliminarily concluded that the initial application of these HKFRSs is unlikely to have a significant impact on the Group's results and financial position.

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:

Estimate fair value of investment properties and property, plant and equipment

The valuation of investment properties and land and building 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 2009, a deferred tax asset of HK$26,691,000 (2008: HK$19,493,000) in relation to tax losses have been recognised in the Group's consolidated balance sheet. The recognition 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. REVENUE AND TURNOVER

	2009	2008
	HK$'000	*HK$'000*
Gross proceeds from sale of completed properties for sale	**–**	25,213
Gross rental income	**43,683**	39,245
Estate management income	**2,232**	2,120
Interest income	**1,034**	695
	46,949	67,273

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:

2009

	Property sales HK$'000	Property rental HK$'000	Estate management HK$'000	Unallocated HK$'000	Inter-segment elimination HK$'000	Group HK$'000
Revenue						
Revenue from external customers	–	43,683	2,232	1,034	–	46,949
Inter-segment revenue	–	2,466	17,508	38,086	(58,060)	–
Segment revenue	–	46,149	19,740	39,120	(58,060)	46,949
Segment results	–	(447,548)	1,986	–	–	(445,562)
Unallocated operating income and expenses						(105,144)
Finance costs						(15,752)
Loss before income tax						(566,458)
Income tax credit						61,816
Loss for the year						(504,642)
Assets						
Segment assets	1,155,529	3,315,399	231			4,471,159
Unallocated assets						273,330
Total assets						4,744,489
Liabilities						
Segment liabilities	46,496	255,088	85			301,669
Unallocated liabilities						1,549,616
Total liabilities						1,851,285
Other information						
Capital expenditure	–	31,390	–	–		31,390
Depreciation	–	1,961	–	1,694		3,655
Decrease in fair value of investment properties	–	479,043	–	–		479,043
Decrease in fair value of property, plant and equipment	–	–	–	3,306		3,306

2008

	Property sales *HK$'000*	Property rental *HK$'000*	Estate management *HK$'000*	Unallocated *HK$'000*	Inter-segment elimination *HK$'000*	Group *HK$'000*
Revenue						
Revenue from external customers	25,213	39,245	2,120	695	–	62,273
Inter-segment revenue	–	2,466	15,806	53,140	(71,412)	–
Segment revenue	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
Increase in fair value of investment properties	–	440,254	–	–		440,254
Increase in fair value of property, plant and equipment	–	–	–	30,080		30,080

Secondary reporting format – Geographical segments

2009

	Revenue from external customers *HK$'000*	**Segment assets** *HK$'000*	**Capital expenditure** *HK$'000*
Hong Kong	**44,221**	**2,996,452**	**13,543**
Macau	**–**	**1,138,923**	**7,945**
Malaysia	**2,673**	**249,095**	**9,894**
The People's Republic of China ("PRC")	**55**	**360,019**	**8**
	46,949	**4,744,489**	**31,390**

2008

	Revenue from external customers *HK$'000*	Segment assets *HK$'000*	Capital expenditure *HK$'000*
Hong Kong	39,081	3,389,144	41,291
Macau	–	1,350,933	4,232
Malaysia	27,693	279,883	10,819
PRC	499	334,124	2
	67,273	5,354,084	56,344

6. OTHER INCOME

	2009 *HK$'000*	2008 *HK$'000*
Dividend income from equity investments	**4,020**	5,703
Gain on disposal of financial assets at fair value through profit or loss	**3,450**	10,989
Gain on disposal of investment properties	**–**	1,496
Net exchange gain	**10,951**	–
Sundry income	**6,330**	753
	24,751	18,941

7. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Interest charges on:		
Bank loans and overdrafts wholly repayable within five years	**25,586**	37,730
Advances from a related company	**533**	2,804
Advances from a director	**4,733**	9,106
Other incidental borrowings costs	**284**	623
Total borrowing costs	**31,136**	50,263
Less: interest capitalised into investment properties and properties under development for sale *(note)*	**(15,384)**	(28,359)
	15,752	21,904

Note: The borrowing costs have been capitalised at a rate of 0.88% – 9.07% (2008: 2.29% – 6.07%) per annum.

8. (LOSS)/PROFIT BEFORE INCOME TAX

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

	2009	2008
	HK$'000	*HK$'000*
Recovery of bad debts provision	**(22)**	(300)
Cost of properties sold	**–**	22,642
Staff costs (include directors' emoluments)		
Salaries, wages and other benefits	**8,272**	9,255
Contribution to defined contribution plans	**214**	219
Auditors' remuneration	**492**	438
Depreciation	**3,640**	3,043
Direct outgoings in respect of investment properties that generate rental income	**8,818**	9,306
Direct outgoings in respect of investment properties that did not generate rental income	**63**	150
Net exchange (gain)/loss	**(10,951)**	7,166
Impairment losses on other receivables*	**31,761**	–
Provision for late payment charges*	**41,422**	–

* Included in other operating expenses

9. INCOME TAX (CREDIT)/EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) 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.

	2009	2008
	HK$'000	*HK$'000*
Current tax		
– Hong Kong		
Tax for the year	**3,162**	2,985
Underprovision in respect of prior years	**721**	–
	3,883	2,985
– Overseas		
Tax for the year	**–**	435
Overprovision in respect of prior years	**(12)**	(174)
	(12)	261
	3,871	3,246
Deferred tax		
Current year	**(65,687)**	49,101
Total income tax (credit)/expense	**(61,816)**	52,347

Reconciliation between tax (credit)/expense and accounting (loss)/profit at applicable tax rates:

	2009	2008
	HK$'000	*HK$'000*
(Loss)/Profit before income tax	**(566,458)**	422,005
Tax at Hong Kong profits tax rate of 16.5% (2008: 16.5%)	**(93,466)**	69,631
Tax effect of non-deductible expenses	**18,348**	9,535
Tax effect of non-taxable revenue	**(7,534)**	(21,313)
Tax effect of differences in overseas tax rates	**7,473**	4,959
Tax effect of unused tax losses not recognised	**6,140**	1,677
Tax effect of prior year's unrecognised tax losses utilised during the year	**(988)**	(10,653)
Tax effect of unrecognised temporary differences	**753**	452
Recognition of previously unrecognised deferred tax asset	**6,749**	1,295
Tax effect of changes in tax rate	**–**	(3,488)
Under/(Over) provision in prior year	**709**	(174)
Others	**–**	426
Income tax (credit)/expense	**(61,816)**	52,347

10. DIVIDENDS

	2009	2008
	HK$'000	*HK$'000*
Interim dividend of Nil cents (2008: HK6 cents) per share	**–**	15,698
Proposed final dividend of Nil cents (2008: HK3 cents) per share *(note)*	**–**	7,924
Adjustment to 2007 final dividend	**–**	126
	–	23,748

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

	2009	2008
	HK$'000	*HK$'000*
Dividends:		
Cash	**2,040**	16,054
Share alternative	**5,884**	41,199
	7,924	57,253

Note: The final dividend in respect of 2008 of HK3 cents per share amounting to approximately HK$7,924,000 has been proposed by the board of directors after 30 June 2008. The proposed dividend is not reflected as dividend payable at 30 June 2008, but was reflected as an appropriation of retained profits in the year ended 30 June 2009.

11. (LOSS)/EARNINGS PER SHARE

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

(Loss)/Earnings

	2009	2008
	HK$'000	*HK$'000*
(Loss)/Profit attributable to equity holders of the Company for the purpose of calculating basic and diluted (loss)/earnings per share	**(448,392)**	362,084

Number of shares

	2009	2008
Weighted average number of ordinary shares for the purposes of basic (loss)/earnings per share	**268,012,727**	235,622,961
Effect of dilutive potential ordinary shares:		
Warrants	**–**	6,610,184
Weighted average number of ordinary shares for the purposes of diluted (loss)/earnings per share	**268,012,727**	242,233,145

No diluted loss per share has been presented for the year ended 30 June 2009 as the outstanding warrants had an anti-dilutive effect on the basic loss per share.

12. TRADE AND OTHER RECEIVABLES

	2009	2008
	HK$'000	*HK$'000*
Trade receivables		
From third parties	**918**	2,558
Other receivables		
Prepayments and deposits	**11,627**	34,460
Other receivables	**2,606**	1,627
	14,233	36,087
	15,151	38,645

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. All invoices are due upon presentation.

The directors of the Group considered that the fair values of trade and other receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

Based on the debit note or invoice dates, the ageing analysis of the trade receivables is as follows:

	2009	2008
	HK$'000	*HK$'000*
0-30 days	**499**	714
31-60 days	**83**	44
61-90 days	**155**	10
Over 90 days	**181**	1,790
	918	2,558

At each balance sheet date the Group reviews receivables for evidence of impairment on both an individual and collective basis. No impairment has been recognised on receivables through the provision account for the two years ended 30 June 2009 and 2008.

Included in the Group's trade receivables balance are debtors with a carrying amount of HK$918,000 (2008: HK$2,558,000) which are past due as at the reporting date for which the Group has not been provided. These receivables are related to a large number of diversified debtors that has a good track record of credit with the Group. Based on past credit history, management believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. Except for deposits received from tenants, the Group does not hold any other collateral over these balances.

13. TRADE AND OTHER PAYABLES

	2009	2008
	HK$'000	*HK$'000*
Trade payables		
To third parties	**817**	1,104
Other payables		
Tenant deposit	**7,001**	8,093
Other payable and accruals	**55,170**	48,687
	62,171	56,780
	62,988	57,884

All amounts are short term and hence the carrying values of trade and other payables are considered to be a reasonable approximation of their fair value.

Based on the invoice dates, the ageing analysis of the trade payables as of the balance sheet date is as follows:

	2009	2008
	HK$'000	*HK$'000*
0-30 days	**517**	559
31-60 days	**47**	67
61-90 days	**48**	43
Over 90 days	**205**	435
	817	1,104

14. AMOUNTS DUE FROM/TO ULTIMATE HOLDING COMPANY/RELATED COMPANIES/ 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 2009 (the "Year") amounted to HK$46,949,000 (Year ended 30 June 2008: HK$67,273,000), a 30.2% 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 11.3% in rental income as compared with the corresponding year in 2008, amounting HK$43,683,000 (2008: HK$39,245,000).

Gross profit for the Year amounted to HK$34,732,000, an 10.9% increase as compared with the same period last year.

Other income recorded an increase of 30.7% to HK$24,751,000 when compared with the same period last year. The income was mainly attributed to exchange gain from overseas investment, gain on disposal of listed securities and dividend income from listed securities. Loss on fair value adjustment on financial assets at fair value through profit or loss amounted to HK$31,565,000 (2008: HK$47,274,000). Fair value adjustment on investment properties and property, plant an equipment changed from gain to loss for the year amounted to HK$482,349,000 (2008: gain of HK$470,334,000). Administrative expenses decreased by 21.5% to HK$23,092,000 as compared with the same period last year. Other operating expenses of HK$73,183,000 recorded for the Year mainly represent the provision of late payment charges of HK$41,422,000 and the impairment loss on other receivables of HK$31,761,000. Both of which were related to the land acquisition in Hangzhou. Finance costs recorded a decrease of 28.1% to HK$15,752,000 as compared with the same period last year.

Loss attributable to equity holders of the Company for the Year was HK$448,392,000 as compared to a profit of HK$362,084,000 for the same period last year. Basic loss per share was HK$1.67 (2008: basic earnings per share HK$1.54) and no diluted loss per share for the Year (2008: diluted earnings per share HK$1.49).

A final dividend of HK3 cents per share for the year ended 30 June 2008 (2007: HK19 cents per share) and no interim dividend for the half year ended 31 December 2008 (half year ended 31 December 2007: HK6 cents per share) were paid during the Year. Scrip dividend alternative was offered to shareholders in respect of 30 June 2008 final dividend. A bonus warrants was issued on the basis of one 2010 Warrant for every six issued shares held during the Year.

No final and interim dividend for the Year (2008: final dividend of HK3 cents per share and interim dividend of HK6 cents per share). The Board has proposed a bonus issue of warrants on the basis of one warrant for every ten issued shares held.

TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

As at 30 June 2009, the Group's total equity attributable to equity holders of the Company amounted to approximately HK$2,881,270,000 (30 June 2008: HK$3,363,262,000), a decrease of HK$481,992,000 or 14.3% when compared with 30 June 2008. With the total number of ordinary shares in issue of 271,510,696 as at 30 June 2009 (2008: 264,131,642 shares), the total equity attributable to equity holders of the Company per share was HK$10.61, a decrease of 16.7% over 30 June 2008: HK$12.73. The decrease in total equity attributable to equity holders of the Company per share was mainly attributable to the decrease in fair value of investment properties and listed securities investment of the Group during the Year.

Included in the total equity attributable to equity holders of the Company is deferred tax liabilities of HK$377,046,000 on fair value gains on investment properties and property, plant and equipment. If these deferred tax liabilities are excluded, the total equity attributable to equity holders of the Company will become HK$3,258,316,000 or HK$12.00 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 2009, the listed securities investment was HK$152,167,000. During the Year, the portfolio was decreased by a net disposal of HK$36,079,000 and loss in fair value of HK$31,565,000. The listed securities investments of HK$152,167,000 as at 30 June 2009 representing 3.2% (30 June 2008: 4.1%) 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 2009 and 30 June 2008 were 271,510,696 and 264,131,642 respectively.

DEBT AND GEARING

As at 30 June 2009, the Group's bank and other borrowings amounted to HK$1,189,477,000 (30 June 2008: HK$1,195,371,000). Cash and bank balances amounted to HK$35,922,000 (30 June 2008: HK$106,256,000) and net borrowings amounted to HK$1,153,555,000 (30 June 2008: HK$1,089,115,000).

Total debts to equity ratio was 41.1% (30 June 2008: 34.8%) and net debt to equity ratio was 39.9% (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 decrease in total equity during the Year resulted from decrease in fair value of investment properties.

At the balance sheet date, the Group's bank and other borrowings were denominated in Hong Kong dollars. Of the Group's total bank and other borrowings HK$1,189,477,000, 45.1%, 17.4% and 37.5% 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. No hedging for interest rate subsisted at the end of the Year.

PLEDGE OF ASSETS

As at 30 June 2009, the Group's investment properties, properties for sales and property, plant and equipment with their respective carrying value of HK$2,449,464,000 (30 June 2008: HK$2,664,063,000), HK$355,826,000 (30 June 2008: HK$692,449,000) and HK$78,000,000 (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 Year was HK$15,384,000 as compared to HK$28,359,000 for the last year. Interest expenses for the Year amounted to HK$15,752,000, representing 28.1% decrease over the interest expenses of HK$21,904,000 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 1.3% (2008: 4.9%) 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 45 (Year ended 30 June 2008: 53) 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

During the first half of year 2009 the properties market, especially the deluxe residential market has significant growth which is our core business. One Kowloon Peak Phase I marketing will be started after Pre-sale Consent obtained. The development of Block 2 Villa Cecil Phase III has commenced and to be completed in eighteen months. Site formation for "New Villa Cecil" at Cheung Chau commenced during 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 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 claiming damages and termination of the contract. The case was pending for judgement of the court.

MALAYSIA

Development Order and Building Plan (structural and detail) for Phase II named "Central Plaza" has been approved by the local authority.

PROPERTY VALUATION

A property valuation has been carried out by Messrs. K.T. Liu Surveyors Limited, Roma Appraisals Limited, Joy Choi Arquitecta and Henry Butcher Malaysia Sdn Bhd in respect of the Group's investment properties and certain property, plant and equipment as at 30 June 2009 and that valuation was used in preparing 2009 financial statements. The Group's investment properties and investment properties under development were valued at HK$1,665,400,000 and HK$1,643,809,000 respectively making the total HK$3,309,209,000 (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 land and building held for own use carried at fair value were valued at HK$78,000,000 (2008: HK$83,000,000). The aggregate decrease in fair value of approximately HK$482,349,000 was charged to the income statement for the Year. Properties under development for sale of the Group were stated at lower of cost or net realisable value in the financial statements.

POLICY AND OUTLOOK

The global economic seemed to be recovering from the global economic crisis but still facing 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 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 2009. 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.

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 Year, 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 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.

AUDIT COMMITTEE

The audit committee of the Company currently comprises three independent non-executive directors, namely Dr Sun Ping Hsu Samson, Mr Leung Wing Kong Joseph and Mr Lam Ka Wai Graham (chairman of audit committee). The annual results of the Group for the year ended 30 June 2009 have been reviewed by the audit committee.

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, 30 September 2009

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