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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

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 2009

		Six months ended 31 December	
		2009	2008
	<i>Notes</i>	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue	3	19,480	24,289
Direct costs		(7,501)	(7,339)
Gross profit		11,979	16,950
Other income	4	91,163	5,608
Change in fair value of investment properties		58,110	(677,899)
Change in fair value of property, plant and equipment		2,553	(7,460)
Change in fair value of financial assets at fair value through profit or loss		12,890	(74,132)
Administrative expenses		(11,292)	(11,334)
Other operating expenses		(4,104)	(23,249)
Finance costs	5	(6,816)	(9,961)
Profit/(Loss) before income tax	5	154,483	(781,477)
Income tax (expense)/credit	6	(10,956)	99,030
Profit/(Loss) for the period		143,527	(682,447)

Condensed Consolidated Income Statement (Continued)

For the six months ended 31 December 2009

		Six months ended 31 December	
		2009	2008
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Notes			
Profit/(Loss) for the period attributable to:			
	Owners of the Company	138,824	(606,537)
	Minority interests	4,703	(75,910)
		<u>143,527</u>	<u>(682,447)</u>
Earnings/(Loss) per share for profit/(loss)			
attributable to the owners of the			
Company during the period			
	Basic	8 HK\$0.48	HK\$(2.29)
	Diluted	HK\$0.46	N/A

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2009

	Six months ended 31 December	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit/(Loss) for the period	143,527	(682,447)
Other comprehensive income/(loss) for the period, net of tax		
Exchange gain/(loss) on translation of financial statements of foreign operations	10,979	(3,804)
Total comprehensive income/(loss) for the period	154,506	(686,251)
Total comprehensive income/(loss) for the period attributable to:		
Owners of the Company	149,803	(610,341)
Minority interest	4,703	(75,910)
	154,506	(686,251)

Condensed Consolidated Statement of Financial Position

As at 31 December 2009

		At 31 December 2009 (Unaudited) <i>Notes</i> HK\$'000	At 30 June 2009 (Audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		3,389,464	3,309,209
Property, plant and equipment		84,502	83,494
Mortgage loans		43	126
Other non-current asset		950	950
		3,474,959	3,393,779
Current assets			
Properties under development for sale		1,046,324	798,297
Completed properties for sale		365,490	347,878
Financial assets at fair value through profit or loss	9	110,498	152,167
Trade and other receivables	10	6,797	15,151
Amount due from ultimate holding company		198	132
Amounts due from related companies		900	900
Prepaid tax		399	263
Bank balances and cash		69,815	35,922
		1,600,421	1,350,710
Current liabilities			
Trade and other payables	11	41,518	62,988
Amounts due to minority shareholders		239,990	239,990
Current portion of interest-bearing borrowings		168,312	536,000
Taxation		2,211	3,541
		452,031	842,519
Net current assets		1,148,390	508,191
Total assets less current liabilities		4,623,349	3,901,970

Condensed Consolidated Statement of Financial Position (Continued)

As at 31 December 2009

		At 31 December 2009 (Unaudited) HK\$'000	At 30 June 2009 (Audited) HK\$'000
	<i>Notes</i>		
Non-current liabilities			
Non-current portion of interest-bearing borrowings		1,108,000	582,000
Advances from a director		73,599	71,477
Deferred tax liabilities		364,716	355,289
		<u>1,546,315</u>	<u>1,008,766</u>
NET ASSETS		<u>3,077,034</u>	<u>2,893,204</u>
EQUITY			
Share capital	12	31,051	27,151
Reserves		3,029,346	2,854,119
		<u>3,060,397</u>	<u>2,881,270</u>
Equity attributable to owners of the Company			
Minority interest		16,637	11,934
		<u>16,637</u>	<u>11,934</u>
TOTAL EQUITY		<u>3,077,034</u>	<u>2,893,204</u>

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2009

	Six months ended 31 December	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash from/(used in) operating activities	65,314	(38,764)
Net cash used in investing activities	(210,918)	(48,209)
Net cash from financing activities	189,758	69,748
Net increase/(decrease) in cash and cash equivalents	44,154	(17,225)
Cash and cash equivalents at 1 July	17,651	98,962
Cash and cash equivalents at 31 December	61,805	81,737
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash as stated in condensed consolidated statement of financial position	69,815	143,390
Less: pledged bank balances	(8,010)	(61,653)
	61,805	81,737

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2009

	Equity attributable to owners of the Company						
	Share	Exchange	Share	Share	Retained	Minority	Total
	capital	reserve*	capital	premium*	profits*	interest	equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance 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)
Transactions with owners	692	–	–	5,167	(7,924)	–	(2,065)
Loss for the period	–	–	–	–	(606,537)	(75,910)	(682,447)
Other comprehensive loss for the period							
Exchange loss on translation of financial statements of foreign operations	–	(3,804)	–	–	–	–	(3,804)
Total comprehensive loss for the period	–	(3,804)	–	–	(606,537)	(75,910)	(686,251)
Balance at 31 December 2008	27,105	1,468	320,065	1,022,294	1,379,924	(7,726)	2,743,130

Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 31 December 2009

	Equity attributable to owners of the Company						
	Share	Exchange	Share	Share	Retained	Minority	Total
	capital	reserve*	capital	premium*	profits*	interest	equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 July 2009	27,151	(26,604)	320,065	1,022,589	1,538,069	11,934	2,893,204
Issue of shares	3,900	–	–	25,424	–	–	29,324
Transaction with owners	3,900	–	–	25,424	–	–	29,324
Profit for the period	–	–	–	–	138,824	4,703	143,527
Other comprehensive income for the period							
Exchange gain on translation of financial statements of foreign operations	–	10,979	–	–	–	–	10,979
Total comprehensive income for the period	–	10,979	–	–	138,824	4,703	154,506
Balance at 31 December 2009	31,051	(15,625)	320,065	1,048,013	1,676,893	16,637	3,077,034

* These reserve accounts comprise the Group's reserves of HK\$3,029,346,000 (As at 31 December 2008: HK\$2,723,751,000) in the condensed consolidated statement of financial position.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2009

1. 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 (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The unaudited condensed consolidated interim financial statements has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 30 June 2009, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include individual Hong Kong Financial Reporting Standards, HKAS and Interpretations) as disclosed in note 2 to this condensed consolidated interim financial statements.

This condensed consolidated interim financial statements does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 30 June 2009.

2. ADOPTION OF NEW OR REVISED HKFRSs

In the current period, the Group has applied, for the first time the following new and revised HKFRSs issued by the HKICPA, which are relevant to and effective for Group’s financial statements for the annual financial periods beginning on 1 July 2009.

- HKAS 1 (Revised 2007) Presentation of Financial Statements
- HKAS 23 (Revised 2007) Borrowing Costs
- HKAS 27 (Revised) Consolidated and Separate Financial Statements
- HKAS 31 (Revised) Interests in Joint Ventures
- HKAS 32 and HKAS 1 (Amendments) Puttable Financial Instruments and Obligation Arising on Liquidation
- HKFRS 1 (Revised) First-time Adoption of Hong Kong Financial Reporting Standards
- HKFRS 1 and HKAS 27 (Amendments) Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2009

2. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

- HKFRS 2 (Amendment) Share-based Payment – Vesting Conditions and Cancellations
- HKFRS 3 (Revised) Business Combinations
- HKFRS 7 (Amendment) Improving Disclosure about Financial Instruments
- HKFRS 8 Operating Segments
- HK(IFRIC) – Int 15 Agreements for the Construction of Real Estate
- HK(IFRIC) – Int 16 Hedges of a Net Investment in a Foreign Operation
- HK(IFRIC) – Int 17 Distributions of Non-cash Assets to Owners
- HK(IFRIC) – Int 18 Transfer of Assets from Customers
- Various – Improvements to HKFRSs 2008

Other than as noted below, the adoption of the new and revised HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

HKAS 1 (Revised 2007) Presentation of Financial Statements

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses are unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income, for example, exchange difference arising on translation of financial statements of foreign operations. HKAS 1 affects the presentation of owner changes in equity and introduces a "Statement of Comprehensive Income". Comparatives have been restated to conform with the revised standard.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2009

2. ADOPTION OF NEW OR REVISED HKFRSs (Continued) **HKFRS 8 Operating Segments**

The adoption of HKFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information are now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. Comparatives have been restated on a basis consistent with the new standard.

3. SEGMENT INFORMATION

On adoption of HKFRS 8 Operating Segments, the Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation to the Group's business components and review of these components' performance. The business components in the internal reporting to the executive directors are determined following the Group's major business lines. The Group has identified the following reportable segments of (i) Property sales, (ii) Property rental and (iii) Estate management.

Each of these operating segments is managed separately as each of these business lines require different resources as well as marketing approaches. The adoption of HKFRS 8 has not changed the identified operating segments for the Group as compared to 2009 annual financial statements.

Under HKFRS 8, reported segment information is based on internal management reporting information that is regularly reviewed by the executive directors. The directors assess segment profit or loss using a measure of operating profit. The measurement policies the Group uses for segment reporting under HKFRS 8 are the same as those used in its HKFRS financial statements.

Segment assets include all assets but the financial assets at fair value through profit or loss. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarters.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2009

3. SEGMENT INFORMATION (Continued)

Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. These are deferred tax liabilities attributable to investment properties and the Group's headquarters, and certain borrowings.

Inter-segment revenue is charged on terms equivalent to those that prevail in arm's length transactions.

Information regarding the Group's reportable segments as provided to the Group's executive directors is set out below:

	Six months ended 31 December 2009			
	Property sales <i>HK\$'000</i> (Unaudited)	Property rental <i>HK\$'000</i> (Unaudited)	Estate management <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Revenue				
– From external customers	–	19,126	354	19,480
– Inter-segment revenue	–	1,233	21,260	22,493
Reportable segment revenue	–	20,359	21,614	41,973
Reportable segment profit	–	103,270	134	103,404
Reportable segment assets	1,278,921	3,679,140	594	4,958,655
Reportable segment liabilities	321,138	1,233,854	136	1,555,128

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2009

3. SEGMENT INFORMATION (Continued)

	Six months ended 31 December 2008			
	Property sales <i>HK\$'000</i> (Unaudited)	Property rental <i>HK\$'000</i> (Unaudited)	Estate management <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Revenue				
– From external customers	–	22,874	1,415	24,289
– Inter-segment revenue	–	1,233	28,403	29,636
Reportable segment revenue	–	24,107	29,818	53,925
Reportable segment (loss)/profit	–	(662,364)	225	(662,139)
Reportable segment assets	1,112,687	3,331,171	598	4,444,456
Reportable segment liabilities	440,111	1,051,246	136	1,491,493

The total reportable segment profit/(loss) can be reconciled to the Group's profit/(loss) before income tax as presented in this interim financial report as follows:

	Six months ended 31 December	
	2009 (Unaudited) <i>HK\$'000</i>	2008 (Unaudited) <i>HK\$'000</i>
Total reportable segment profit/(loss)	103,404	(662,139)
Unallocated operating income	73,154	3,528
Unallocated operating expenses	(15,259)	(112,905)
Finance costs	(6,816)	(9,961)
Profit/(Loss) before income tax	154,483	(781,477)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2009

4. OTHER INCOME

	Six months ended 31 December	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Gain on disposal of financial assets at fair value through profit or loss	10,424	641
Recovery of bad debts previously written off	20	10
Dividend income	1,187	1,840
Net exchange gain	6,049	2,080
Reversal of provision for late payment charges (<i>note</i>)	41,422	–
Reversal of impairment loss on other receivables (<i>note</i>)	31,624	–
Sundry income	437	1,037
	91,163	5,608

Note: In December 2009, the Group has completed the land acquisition in Hangzhou. Late payment charges were waived and the deposits paid in prior years were not forfeited by the seller. In this respect, reversal of provision for late payment charges and impairment loss on other receivables of HK\$41,422,000 and HK\$31,624,000 respectively were made during the period.

For the six months ended 31 December 2009

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

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Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2009

6. INCOME TAX (EXPENSE)/CREDIT

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

	Six months ended 31 December	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax		
– Hong Kong	1,597	1,249
– Overseas	232	–
	1,829	1,249
Deferred tax	9,127	(100,279)
Total income tax expense/(credit)	10,956	(99,030)

7. DIVIDENDS

	Six months ended 31 December	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Final dividend of HK\$Nil (2008: HK3 cents) per share	–	7,924
Proposed interim dividend of HK3 cents (2008: HK\$Nil) per share	9,391	–
	9,391	7,924

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2009

7. DIVIDENDS (Continued)

The interim dividend was declared after the reporting date and has not been recognised as a liability at the reporting date.

During the period ended 31 December 2008, 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 (Unaudited) HK\$'000
Dividends:	
Cash	2,040
Share alternative	5,884
	7,924

8. EARNINGS/(LOSS) PER SHARE

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

	Six months ended 31 December	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings/(Loss)		
Profit/(Loss) attributable to owners of the Company for the purpose of calculating basic and diluted earnings/(loss) per share	138,824	(606,537)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2009

8. EARNINGS/(LOSS) PER SHARE (Continued)

	At 31 December 2009 (Unaudited)	At 31 December 2008 (Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	286,546,654	264,959,314
Effect of dilutive potential ordinary shares:		
Warrants	12,113,313	—
Weighted average number of ordinary shares for the purposes of diluted earnings/(loss) per share	298,659,967	264,959,314

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

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 December 2009 (Unaudited) HK\$'000	At 30 June 2009 (Audited) HK\$'000
Held for trading		
Equity securities listed in Hong Kong	110,413	152,167
Derivative financial instruments		
Securities derivatives	85	—
	110,498	152,167

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2009

10. TRADE AND OTHER RECEIVABLES

	At 31 December 2009 (Unaudited) HK\$'000	At 30 June 2009 (Audited) HK\$'000
Trade receivables	786	918
Prepayments, deposits and other receivables	6,011	14,233
	6,797	15,151

The Group maintains a controlled credit policy to minimise any credit risk associated with trade receivables. Based on the debit note or invoices dates, the ageing analysis of the trade receivables is as follows:

	At 31 December 2009 (Unaudited) HK\$'000	At 30 June 2009 (Audited) HK\$'000
0 – 30 days	205	499
31 – 60 days	87	83
61 – 90 days	114	155
Over 90 days	380	181
	786	918

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2009

11. TRADE AND OTHER PAYABLES

	At 31 December 2009 (Unaudited) HK\$'000	At 30 June 2009 (Audited) HK\$'000
Trade payables	374	817
Tenant deposits, accrued charges and other payables	41,144	62,171
	41,518	62,988

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

	At 31 December 2009 (Unaudited) HK\$'000	At 30 June 2009 (Audited) HK\$'000
0 – 30 days	101	517
31 – 60 days	48	47
61 – 90 days	49	48
Over 90 days	176	205
	374	817

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2009

12. SHARE CAPITAL

	Authorised		Issued and fully paid	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	No. of shares	HK\$'000	No. of shares	HK\$'000
Ordinary shares of HK\$0.10 each				
At 1 July 2009	10,000,000,000	1,000,000	271,510,696	27,151
Issue of shares by exercise of warrants (note 1)	–	–	38,997,100	3,900
At 31 December 2009	10,000,000,000	1,000,000	310,507,796	31,051

Note:

- On 8 April 2009, the Company passed a resolution to approve the issue of one bonus warrant for every six existing shares of the Company held by the shareholders (“2010 Warrants”). On 4 May 2009, the Company issued 45,175,665 units of 2010 Warrants. The holders of 2010 Warrants are entitled to subscribe at any time during 4 May 2009 to 4 May 2010 for fully paid shares of the Company at an initial subscription price of HK\$0.75 per share (subject to adjustment). Following a bonus warrant issued on 23 November 2009, the subscription price was adjusted to HK\$0.73 per share on 23 November 2009. During the period, 38,809,193 new shares of HK\$0.10 each per share were issued upon the exercise of 38,809,193 units of 2010 Warrants. As at 31 December 2009, 5,909,767 units of 2010 Warrants remained outstanding.

On 13 November 2009, the Company passed a resolution to approve the issue of one bonus warrant for every ten existing shares of the Company held by the shareholders (“Bonus Warrants”). On 23 November 2009, the Company issued 31,027,791 units of Bonus Warrants. The holders of Bonus Warrants are entitled to subscribe at any time during 23 November 2009 to 23 November 2010 for fully paid shares of the Company at an initial subscription price of HK\$1.60 per share (subject to adjustment). During the period, 187,907 new shares of HK\$0.10 each per share were issued upon the exercise of 187,907 units of Bonus Warrants. As at 31 December 2009, 30,839,884 units of Bonus Warrants remained outstanding.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2009

13. CAPITAL COMMITMENTS

Capital commitments in respect of properties under development outstanding at the reporting date not provided for in the financial statements are as follows:

	At 31 December 2009 (Unaudited) HK\$'000	At 30 June 2009 (Audited) HK\$'000
Authorised but not contracted for	54,241	170,485
Contracted but not provided for	330,260	557,239
	384,501	727,724

14. PLEDGE OF ASSETS

At 31 December 2009, the Group's total bank borrowings of HK\$1,276,312,000 (At 30 June 2009: HK\$1,118,000,000) were secured by the following:

- (i) legal charges on certain of the Group's investment properties, properties for sale, property, plant and equipment and financial assets at fair value through profit or loss with carrying values of HK\$2,489,719,000 (At 30 June 2009: HK\$2,449,464,000), HK\$373,515,000 (At 30 June 2009: HK\$355,826,000), HK\$79,740,000 (At 30 June 2009: HK\$78,000,000) and HK\$104,568,000 (At 30 June 2009: Nil), 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\$8,010,000 (At 30 June 2009: HK\$18,271,000);
- (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 2009

15. SIGNIFICANT RELATED PARTY TRANSACTIONS

During the period, the Group had the following material transactions with connected and related parties:

		Six months ended	
		31 December	
		2009	2008
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Note			
	Salaries and other short-term employee benefits paid to key management personnel, including directors' remuneration	4,424	2,317
	Interest paid to Cecil Chao & Associates Limited ("CCAL")	–	387
(a)			
	Interest paid to Dr. Chao Sze Tsung Cecil	2,330	2,384
(b)			
	Architect and other professional service fees paid to CCAL	761	1,200
(c)			
	Cecil Chao Design (Macau) Limited ("CCA Macau")	7,000	–
(d)			
	Rental income received from Yan Yin Company Limited ("Yan Yin")	30	30
	CCAL	453	453
(e)			
	Administration fee received from Yan Yin	36	36
	CCAL	120	120
(f)			
	Commission paid to Szehope Securities Company Limited	177	92
(f)			
	Rental paid to Resource Development Limited	1,800	–

- (a) CCAL has provided unsecured advances, which have no fixed repayment term, to the Group at 1.8% above the Hong Kong dollar prime rate per annum. The loan was fully repaid during the year ended 30 June 2009. Dr. Chao Sze Tsung Cecil, is a director and beneficial owner of CCAL.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2009

15. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

- (b) Dr. Chao Sze Tsung Cecil has provided unsecured advances, which have no fixed repayment term to the Group at 1.8% (2008:1.8%) above the Hong Kong dollar prime rate per annum. At 31 December 2009, the advances from Dr. Chao Sze Tsung Cecil to the Group amounted to HK\$73,599,000 (At 30 June 2009: HK\$71,477,000).
- (c) CCAL and CCA Macau rendered architectural and related services to the Group on terms agreed between both parties. Dr. Chao Sze Tsung Cecil is the beneficial owner of CCA Macau.
- (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 and Resource Development Limited. Rental paid to Resource Development Limited represent housing accommodation provided to Dr. Chao Sze Tsung Cecil. The amount has been included in directors' remuneration.

16. COMPARATIVE FIGURES

As a result of the application of HKAS 1 (Revised) Presentation of Financial Statements, and HKFRS 8 Operating Segments, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in current period. Further details of these developments are disclosed in note 2.

REVIEW OF OPERATIONS

Hong Kong Properties

The Hong Kong office market has benefited from the rebound in the local economy with a notable increase in leasing activities seen in the second half of 2009. Residential rental has ceased its downward adjustment and become stable at the end of 2009. The demand for office space grows as business sentiment improves.

The luxury apartment market continued to perform strongly in the fourth quarter of 2009 on the back of improved investor confidence, the persisting low interest, lack of new supply and sustained demand from expatriates re-emerging in the market. The substantial escalation in housing prices at the top end of the market has prompted the government to announce a series of measures to help damping the property overheated sentiment. The market responded gently with falling transaction volume as well as the stabilizing the growing pricing.

The progress of our projects are as follows:

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

The tree felling matter has been resolved and the site formation work of Phase II consisting of five deluxe villas was commenced. As soon as the site formation work is completed, the application for pre-sale consent for the whole project (including the Phase I tower block) will be applied in due course.

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

90% of the apartments in Villa Cecil Phase II are leased. Almost all the tenancies are renewed in the second half of the 2009 which will secure our rental income for the coming year.

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

Apartment block I is fully rented. The superstructure work of Block II is expected to be completed by the first quarter of 2011 and more rental income will be generated for the group.

4. *Cheuk Nang Plaza, 250 Hennessy Road*

The occupancy of the building is maintained at 80%. We are undergoing some renovation work to the building in order to improve the quality of the building and attract more new potential tenants.

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

House B is under leased. House C is under some major renovation and marketing will be carried out as soon as work completed.

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

The site formation work is partially completed and the superstructure work for phase I will be commenced in the mid of 2010.

China Properties

The Central Government has introduced new policies in November and December 2009 and January 2010 aimed to cool down the overheat property market and to prevent overseas hot money from speculating the property price. Such policies restrict the initial payment for purchase of the second property to not less than 40% of the property price and to regulate government-owned enterprises for investment in property market and more careful control of bank lending etc.

In Shenzhen, the amount of new supply in the primary market declined compared with the same period of the previous year. The total approved pre-sales area has dropped by over 30%. The market activities in Shenzhen remain active, mostly concentrated in Longgang, Bao'an and Nanshan district, which accounted for over 85% of the total transaction amount in Shenzhen. The second-hand property transaction tax preferential policy was abolished at the end of 2009. As a result, demand in the secondary market increased significantly in the fourth quarter and cool down slightly in the first quarter of 2010.

In Hangzhou, the demand for high-end residential property in the sales market remained robust. Influenced by the possible expiration of preferential residential related policies and tightening loan policy, house buyers have rushed to buy home and thereby, the price in the increased by 5% for apartment units and 7% for villas.

Looking ahead, considering the global economic recovery and policies implemented by the Central Government, the property market in China is expected to remain more steady and healthy pace.

Cheuk Nang Garden, Longhwa, Longgang, Shenzhen

The hearing of the litigation with The Guangdong Provincial 8th Construction Group Co., Ltd. resumed in March, 2010 and it is anticipated that judgement will be made in mid of 2010.

Project at Yue Hang Zu, Hangzhou

The Group has completed the acquisition of the land in Yue Hang Zu, Hangzhou on 24 December, 2009 and has paid a total sum of RMB188,000,000 (approximately HK\$218,080,000) on completion. The land area is 38,983 square metres (approximately 419,613 square feet) and the gross floor area is 89,660 square metres (approximately 965,100 square feet).

The design and building plans are under preparation and will be submitted for approval by mid of 2010.

Macau Properties

Following the provision of 4% subsidy on mortgage interest rates by the Macau government, the transaction volume of the Macau properties started to rise since the second quarter of 2009 and has reached its highest in the first quarter of 2010. Owing to the improvement in income and living standard, the Macau people tends to find new homes which are more comfortable and equipped with better facilities and new residential units become more demanding.

The construction of the Delta bridge and the resumption of the Cotai construction lead to more optimistic view for the overall Macau investment sentiment.

“Golden Cotai No. 1” Estrada de Seac Pai Van, Coloane

The architectural building plans (ante projecto) submitted are still pending Government authorities approval. We have had many discussions and meetings with the government officials including the Department of Urban Planning, the Licensing Division of the Department of Urbanization and the Department of Infrastructure of the Public Works & Transport Bureau, Fire Services Bureau and Environmental Protection Bureau and understand that the plans approval process was delayed in the past and after the change of regime, the new Government is now more eager to clear up all the pending cases.

The original vendor of the land “Wealthy Victor Limited” has agreed the Group to set aside HK\$50,000,000 to an escrow account to guarantee the approval of the building plans within 18 months after our first submission of the plans. Owing to the delay of the approval of the building plans, litigation was initiated by the Wealthy Victor in 2007 to prevent the Group from forfeiting the escrow amount. Litigation is now in progress and hearing is scheduled in March, 2011. No provision has been made for this contingent asset.

Malaysia Properties

The Ministry of Finance has forecast that the Malaysia economy will return to a positive growth rate of between 2% and 3% in 2010.

Kuala Lumpur luxury residential market remained relatively steady during the fourth quarter of 2009. The reinstated Real Property Gains Tax came into effect on 1 January 2010 and has so far been met with a mixed reaction from the market. Over ten new luxury condominium projects are expected to be completed by the end of 2010 and will provide a total of nearly 3,000 units to the market.

Cecil Chao Centre

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

Phase I named “Parkview “

Our existing serviced apartments are almost fully occupied with good income.

Phases II to V named “Central Plaza”

The construction and detail drawings of 2 blocks and car parks were approved by the Malaysian government. The preparation of the foundation tender documents has just completed and ready to issue. It is expected that the tender will be awarded in the second quarter of 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

Turnover for the six months ended 31 December 2009 (the “Period”) amounted to HK\$19,480,000 (31 December 2008: HK\$24,289,000), a 19.8% decrease over the same period last year. It was mainly due to the decrease in turnover of rental income from investment properties in Hong Kong.

For property leasing, the Period recorded a decrease of 16.4% in rental income as compared with the corresponding period in 2008, amounting HK\$19,126,000 (31 December 2008: HK\$22,874,000).

Gross profit for the Period amounted to HK\$11,979,000, a 29.3% decrease as compared with the same period last year.

Other income recorded an increase of 1,525.6% to HK\$91,163,000 when compared with the same period last year. The other income was mainly attributed to the written back of provision for late payment charges of HK\$41,422,000 and the impairment loss on other receivables of HK\$31,624,000 relating to the land acquisition in Hangzhou. The remaining other income were attributed to exchange gain from overseas investment, gain on disposal of listed securities and dividend income from listed securities. Gain on fair value adjustment on financial assets at fair value through profit or loss amounted to HK\$12,890,000 (31 December 2008: loss of HK\$74,132,000). Gain on fair value adjustment on investment properties and property, plant and equipment for the Period amounted to HK\$60,663,000 (31 December 2008: loss of HK\$685,359,000). Administrative expenses decreased by 0.4% to HK\$11,292,000 as compared with the same period last year. Other operating expenses of HK\$4,104,000 recorded for the Period. Finance costs recorded a decrease of 31.6% to HK\$6,816,000 as compared with the same period last year.

Profit attributable to owners of the Company for the Period was HK\$138,824,000 as compared to a loss of HK\$606,537,000 for the same period last year. Basic earnings per share was HK\$0.48 (31 December 2008: basic loss per share HK\$2.29) and the diluted earnings per share was HK\$0.46 (31 December 2008: no diluted loss per share).

The Board resolved an interim dividend of HK3 cents per share for the six months ended 31 December 2009 (31 December 2008: Nil). Scrip dividend alternative will be offered to shareholders in respect of 31 December 2009 interim dividend. The Board has also resolved a bonus issue of warrants on the basis of one 2011 warrant for every thirty issued share held.

TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY

As at 31 December 2009, the Group's total equity attributable to owners of the Company amounted to approximately HK\$3,060,397,000 (30 June 2009: HK\$2,881,270,000), an increase of HK\$179,127,000 or 6.2% when compared with 30 June 2009. With the total number of ordinary shares in issue of 310,507,796 as at 31 December 2009 (30 June 2009: 271,510,696 shares), the total equity attributable to owners of the Company per share was HK\$9.86, a decrease of 7.1% over 30 June 2009: HK\$10.61. The decrease in total equity attributable to owners of the Company per share was mainly attributable to the increase in number of issued ordinary shares during the Period.

Included in the total equity attributable to owners of the Company is deferred tax liabilities of HK\$364,716,000 on fair value gains on investment properties and property, plant and equipment. If the deferred tax liabilities are excluded, the total equity attributable to owners of the Company will become HK\$3,425,113,000 or HK\$11.03 per share.

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

SECURITIES INVESTMENT

As at 31 December 2009, the listed securities investment was HK\$110,413,000 and derivative financial instruments, securities derivative was HK\$85,000. During the Period, the portfolio was decreased by a net disposal of HK\$54,644,000 and gain in fair value of HK\$12,890,000. The listed securities investments of HK\$110,413,000 as at 31 December 2009 representing 2.2% (30 June 2009: 3.2%) 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 31 December 2009 and 30 June 2009 were 310,507,796 and 271,510,696 respectively.

DEBT AND GEARING

As at 31 December 2009, the Group's bank and other borrowings amounted to HK\$1,349,911,000 (30 June 2009: HK\$1,189,477,000). Cash and bank balances amounted to HK\$69,815,000 (30 June 2009: HK\$35,922,000) and net borrowing amounted to HK\$1,280,096,000 (30 June 2009: HK\$1,153,555,000).

Total debts to equity ratio was 43.9% (30 June 2009: 41.1%) and net debt to equity ratio was 41.6% (30 June 2009: 39.9%).

The increase in the total debt to equity ratio and the net debt to equity ratio were mainly due to increase in borrowing resulted from the acquisition of land in Hangzhou, China during the Period.

At the reporting date, the Group's bank and other borrowings were denominated in Hong Kong dollars. Of the Group's total bank and other borrowings HK\$1,349,911,000, 12.5%, 12.3% and 75.2% 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 Period.

PLEDGE OF ASSETS

As at 31 December 2009, the Group's investment properties, properties for sales, property, plant and equipment and financial assets at fair value through profit or loss with their respective carrying value of HK\$2,489,719,000 (30 June 2009: HK\$2,449,464,000), HK\$373,515,000 (30 June 2009: HK\$355,826,000), HK\$79,740,000 (30 June 2009: HK\$78,000,000) and HK\$104,568,000 (30 June 2009: 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 Period was HK\$2,376,000 as compared to HK\$10,690,000 for the same period last year. Interest expenses for the Period amounted to HK\$6,816,000, representing 31.6% decrease over the interest expenses of HK\$9,961,000 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 0.72% (31 December 2008: 1.67%) 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 42 (31 December 2008: 49) 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

During the second 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 site formation of Phase II development has commenced. The superstructure work of Block 2 Villa Cecil Phase III has commenced. It is anticipated that the Occupation Permit will be obtained by the end of the year. Foundation work for “New Villa Cecil” at Cheung Chau has partially completed and the superstructure of Phase I will be commenced in the mid of the year.

MACAU

The development project at Estrada de Seac Pai Van, Coloane was at the building plan approval stage at the reporting 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 Bas’an People’s Court against the main contractor claiming damages and termination of the contract. The case was pending for judgement of the court.

The acquisition of land in Hangzhou was completed at the reporting date. The project planning and design is in process.

MALAYSIA

The Development Order for Phase II named “Central Plaza” has been approved by the local authority and the Building Plan (Structural and detail) of 2 blocks of building are also approved.

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 2009 and that valuation was used in preparing the financial statement for the six months ended 31 December 2009. The Group’s investment properties and investment properties under development were valued at HK\$1,693,660,000 and HK\$1,695,804,000 respectively making the total HK\$3,389,464,000 (30 June 2009: investment properties and investment properties under development were valued at HK\$1,665,400,000 and HK\$1,643,809,000 making the total HK\$3,309,209,000). The Group land and building held for own use carried at fair value were valued at HK\$79,740,000 (30 June 2009: HK\$78,000,000). The aggregate increase in fair value of approximately HK\$60,663,000 was credited to the

income statement for the Period. 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

To diversify the investment risk, the Group will continue its policy by diversifying its investment in China, Hong Kong, Macau and Malaysia.

Following the recovery of the global economic, the Group expecting a good future prospect in long run.

INTERIM DIVIDEND

The Directors resolved to recommend the payment of an interim dividend of HK3 cents per share (2008: HK\$Nil) to those shareholders whose names appeared on the Register of Members as at 11 May 2010 and scrip dividend alternative will be available for shareholders' election.

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 2009.

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 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 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 2009.

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.

CLOSURE OF REGISTER

The register of members of the Company will be closed from 5 May 2010 to 11 May 2010 (both days inclusive) during which period no transfers of shares would be effected. In order to qualify for the interim dividend, 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 4 May 2010.

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

Hong Kong, 30 March 2010

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.