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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 2011

CHAIRMAN STATEMENT

RESULTS

I announce that the unaudited consolidated profit after taxation for the six months ended 31 December 2011 of our Group is HK\$67,771,000 (2010: HK\$280,098,000) as set out in the unaudited consolidated income statement which has been reviewed by the Company's audit committee, an decrement of 75.8% as compared with last year.

The Directors resolved to recommend the payment of an interim dividend of HK4 cents per share (2010: HK4 cents) which is same as last year.

SCRIP DIVIDEND

The Company proposes that a scrip dividend election will be offered to shareholders with Hong Kong addresses. Details of the scrip dividend scheme will be announced later. The interim dividend is payable to shareholders whose names appeared on the register of members at the close of business on 10 April 2012.

EXPIRATION OF WARRANTS

The Warrants (Stock code: 1092) (“the 2011 December Warrants”) was expired on 13 December 2011. Up to 13 December 2011, a total number of 18,352,166 units of warrants were exercised (being 80.80% of the total number of warrants issued) and a total number of 18,352,166 shares were issued.

NEW BONUS WARRANTS

The directors proposed to issue a new bonus warrants to shareholders in the proportion of every 25 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\$2.10 per share. Details of the new bonus warrants will be made in separate announcement.

REVIEW OF OPERATIONS

Hong Kong Properties

The increasing external uncertainties in the European economy has resulted weakened the Hong Kong market sentiment. Affected also by the raising mortgage rate, many buyers adopted a wait-and-see attitude as they became more cautious and particularly the transactions for the second hand units have been reduced.

The progress of our projects are as follows:–

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

The foundation work of Phase II was commenced last year and it is anticipated that the work will be completed in mid-2012. The tendering and award of superstructure contractor is scheduled in the second half of 2012. The whole project will be completed by 2013.

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

Over 80% of the units are rented out. Negotiation for renewal was started on those tenancies which are due to expire in mid of 2012.

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

Five out of the eight units of Block 1 are rented out. Offers were received for renting the remaining units at the beginning of the year and some negotiations are in progress.

The leasing of Block 2 was started in September 2011 and now over 60% of the 32 units are rented out.

4. *Cheuk Nang Plaza, 250 Hennessy Road*

The occupancy of the building is maintained 80%.

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

The renovation of Villa Crocus is still in progress. Villa Begonia is being leased.

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

It is anticipated that the Occupation Permit of Phase I will be obtained in mid 2012. The construction of Phase II will be commenced after the Occupation Permit of Phase I is obtained.

China Properties

On 1 December 2011, the People's Bank of China cut its required reserve ratio by 0.5% which is the first time in the recent three years. It is believed that the improving liquidity in the mainland will provide impetus to the economy.

In Shenzhen, in the first three quarter of 2011, new supply remained low. In the fourth quarter, new supplies grew and Bao'an and Longgang districts made up 80% of the new housing stock. Many developers introduced sales promotions. New home prices fell due to governmental policies, however, due to the purchase restriction, transaction volume remain low as many potential buyers remained wait-and-see attitude. Good news is the Shenzhen Metro Line 4 (the Longhwa Line) and the Shenzhen Express Rail are in operation develop Longhwa into a new city centre in Shenzhen. In the future, traveling between West Kowloon to Longhwa will be largely shortened to 30 minutes when the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link is in operation.

In Hangzhou, although the purchase restrictions imposed on cities have begun to bite into pricing, the market still maintain cautious and steady.

Cheuk Nang Garden

Longhwa, Shenzhen

Guangdong Provincial 8th Construction Group Co., Ltd. (廣東省八建集團有限公司) has handover the site back to us in October 2011. A new main contractor 廣廈建設集團有限責任公司, who was awarded in October, 2011, have taken over the site. Application for the renewal of relevant construction permit was made before Chinese New Year and preparation for the construction work has already commenced.

Cheuk Nang • Riverside

Project at Yue Hang Zu, Hangzhou

Application for construction permit will be made in February 2012 and the construction contract has been awarded to 廣廈建設集團有限責任公司 as soon as the construction permit is obtained.

Macau Properties

The property market in Macau is maintained relatively steady despite the Macau Government has introduced a special stamp duty aimed to evict the speculators in the fourth quarter of 2011. The resumption of construction of the Delta Bridge (Hong Kong Section) will have positive impact on the Macau property market.

Estrada de Seac Pai Van, Coloane

Environmental and air circulation report is being prepared by the professionals and it is anticipated that the report will be finalized before March 2012 and to be submitted to DSSOPT for approval in due course. Detail Building plan and Structural plan (Projecto de Obra) have also been submitted for approval in October 2011 after the general building plans (ante projecto de obra) were approved.

Malaysia Properties

Despite the challenging environment and financial crisis in Europe, the Malaysian economy registered a steady growth due to stronger domestic demand. Most economic sectors recorded improvements in growth during the second half of the year, with the manufacturing sector recording better performance.

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 75% occupied.

Phases II to V named "Central Plaza"

The site formation work was completed last year. The contract for second phase of piling work will be awarded early 2012 and the work will be commenced shortly.

INVESTMENT IN HONG KONG STOCK MARKET

The market price of our investment in the Hong Kong stocks as at 31 December 2011 is HK\$88,847,000 as compared to HK\$102,210,000 as at 30 June 2011. During the period, a total of HK\$20,187,000 stock was sold and of HK\$22,918,000 was purchased.

OUTLOOK

The global economy continued to face an extremely challenging situation. Although the European financial problem clouded the whole world, growth remained resilient in most Asian countries, particularly China still has faster growth and this is beneficial to Hong Kong.

Looking forward, the recent announcement by the US Federal Reserve to keep interest rates near zero until at least late 2014 will give some encouragement to Hong Kong market. We believe the property sector in Hong Kong will remain cautious but steady for the year 2012.

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

Hong Kong, 27 February 2012

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 2011

		Six months ended	
		31 December	
		2011	2010
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
Turnover	3	16,986	21,473
Direct costs		<u>(8,813)</u>	<u>(8,363)</u>
Gross profit		8,173	13,110
Other income	4	2,140	14,897
Change in fair value of investment properties		92,158	259,884
Change in fair value of financial assets at fair value through profit or loss		(16,094)	11,909
Administrative expenses		(11,134)	(11,261)
Other operating expenses		(4,742)	–
Finance costs	5a	<u>(2,013)</u>	<u>(6,781)</u>
Profit before income tax	5	68,488	281,758
Income tax expense	6	<u>(717)</u>	<u>(1,660)</u>
Profit for the period		<u>67,771</u>	<u>280,098</u>
Profit for the period attributable to:			
Owners of the Company		64,627	275,929
Non-controlling interests		<u>3,144</u>	<u>4,169</u>
		<u>67,771</u>	<u>280,098</u>
Earnings per share for profit attributable to the owners of the Company during the period	8		
– Basic		<u>HK\$0.16</u>	<u>HK\$0.79</u>
– Diluted		<u>HK\$0.16</u>	<u>HK\$0.74</u>

Condensed Consolidated Statement of Comprehensive Income

As at 31 December 2011

	Six months ended	
	31 December	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	67,771	280,098
Other comprehensive income for the period, net of tax		
Exchange gain on translation of financial statements of foreign operations	<u>5,965</u>	<u>25,792</u>
Total comprehensive income for the period	<u>73,736</u>	<u>305,890</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	<u>70,592</u>	<u>301,721</u>
Non-controlling interests	<u>3,144</u>	<u>4,169</u>
	<u>73,736</u>	<u>305,890</u>

Condensed Consolidated Statement of Financial Position

As at 31 December 2011

		At 31 December 2011 (Unaudited) HK\$'000	At 30 June 2011 (Restated) HK\$'000	At 1 July 2010 (Restated) HK\$'000
	<i>Note</i>			
ASSETS AND LIABILITIES				
Non-current assets				
Deferred tax assets		21,714	21,970	19,835
Investment properties		3,624,376	3,510,328	3,558,220
Property, plant and equipment		83,075	83,802	84,491
Mortgage loans		108	108	108
Other financial assets		4,645	1,468	1,452
Other non-current asset		950	950	950
		<u>3,734,868</u>	<u>3,618,626</u>	<u>3,665,056</u>
Current assets				
Properties under development for sale		1,209,164	1,119,578	1,065,745
Completed properties for sale		372,578	373,739	368,722
Financial assets at fair value through profit or loss	9	88,847	102,210	97,544
Trade and other receivables	10	6,339	8,339	6,912
Amount due from ultimate holding company		–	–	132
Amount due from related companies		–	–	1,200
Prepaid tax		552	429	139
Bank balances and cash		101,141	95,615	101,251
		<u>1,778,621</u>	<u>1,699,910</u>	<u>1,641,695</u>
Current liabilities				
Trade and other payables	11	36,167	66,382	41,165
Amounts due to non-controlling shareholders		239,990	239,990	239,990
Bank overdraft		4,420	1,511	–
Interest-bearing borrowings		1,088,261	952,480	1,332,937
Amount due to related companies		36	–	–
Financial liabilities at fair value through profit or loss		–	–	304
Provision for taxation		394	3,171	3,020
		<u>1,369,268</u>	<u>1,263,534</u>	<u>1,617,416</u>
Net current assets		<u>409,353</u>	<u>436,376</u>	<u>24,279</u>
Total assets less current liabilities		<u>4,144,221</u>	<u>4,055,002</u>	<u>3,689,335</u>

		At 31 December 2011 (Unaudited) HK\$'000	At 30 June 2011 (Restated) HK\$'000	At 1 July 2010 (Restated) HK\$'000
	<i>Note</i>			
Non-current liabilities				
Advances from a director		28,360	19,360	43,854
NET ASSETS		4,115,861	4,035,642	3,645,481
EQUITY				
Share capital	12	41,405	40,231	34,667
Reserves		4,022,090	3,946,189	3,572,561
Total equity attributable to owners of the Company		4,063,495	3,986,420	3,607,228
Non-controlling interest		52,366	49,222	38,253
TOTAL EQUITY		4,115,861	4,035,642	3,645,481

Condensed Consolidated Statement of Cash Flows
For the six months ended 31 December 2011

	Six months ended	
	31 December	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash used in operating activities	(143,483)	(68,698)
Net cash used in investing activities	(2,870)	(4,258)
Net cash from/(used in) financing activities	151,264	(11,676)
Net increase/(decrease) in cash and cash equivalents	4,911	(84,632)
Cash and cash equivalents at 1 July	84,996	97,448
Cash and cash equivalents at 31 December	89,907	12,816
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash at stated in condensed consolidated statement of financial position	101,141	15,306
Less: bank overdrafts	(4,420)	–
Less: pledged bank balances	(6,814)	(2,490)
	89,907	12,816

Condensed Consolidated Statement of Changes in Equity
For the six months ended 31 December 2011

	Equity attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Exchange reserve*	Property revaluation reserve*	Share capital reserve*	Share premium*	Retained profits*		
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Restated)		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 July 2010	34,667	(7,496)	3,027	320,065	1,096,650	2,160,315	38,253	3,645,481
2010 final dividend approved and paid	-	-	-	-	-	(14,815)	-	(14,815)
Issue of shares								
Pursuant to scrip dividend scheme	776	-	-	-	12,416	-	-	13,192
By exercise of warrants	2,372	-	-	-	37,055	-	-	39,427
Transaction with owners	3,148	-	-	-	49,471	(14,815)	-	37,804
Profit for the period	-	-	-	-	-	275,929	4,169	280,098
Other comprehensive income for the period								
Exchange gain on translation of financial statements of foreign operations	-	25,792	-	-	-	-	-	25,792
Total comprehensive income for the period	-	25,792	-	-	-	275,929	4,169	305,890
Balance at 31 December 2010	37,815	18,296	3,027	320,065	1,146,121	2,421,429	42,422	3,989,175

	Equity attributable to owners of the Company							Total equity (Restated) HK\$'000
	Share capital	Exchange reserve*	Property revaluation reserve*	Share capital reserve*	Share premium*	Retained profits*	Non-controlling interests	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Restated)	(Unaudited)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 July 2011	40,231	11,375	3,027	320,065	1,191,474	2,420,248	49,222	4,035,642
2011 final dividend approved and paid	-	-	-	-	-	(18,237)	-	(18,237)
Issue of shares								
Pursuant to scrip dividend scheme	719	-	-	-	15,812	-	-	16,531
By exercise of warrants	455	-	-	-	7,742	-	-	8,197
Share issue expenses	-	-	-	-	(8)	-	-	(8)
Transaction with owners	1,174	-	-	-	23,546	(18,237)	-	6,483
Profit for the period	-	-	-	-	-	64,627	3,144	67,771
Other comprehensive income for the period								
Exchange gain on translation of financial statements of foreign operations	-	5,965	-	-	-	-	-	5,965
Total comprehensive income for the period	-	5,965	-	-	-	64,627	3,144	73,736
Balance at 31 December 2011	41,405	17,340	3,027	320,065	1,215,020	2,466,638	52,366	4,115,861

* These reserve accounts comprise the Group's reserves of HK\$4,022,090,000 (As at 31 December 2010: HK\$3,908,938,000) in the condensed consolidated statement of financial position.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2011

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 2011, 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 2011.

2. ADOPTION OF NEW OR AMENDED HKFRSs

(a) Adoption of new/revised HKFRSs – effective 1 January 2011

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 2011.

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (Revised)	Related Party Disclosures

HKFRS 7(Amendments) – Financial Instruments: Disclosures

As part of the Improvements to HKFRSs issued in 2010, HKFRS 7 has been amended to enhance the interaction between quantitative and qualitative disclosures. If the carrying amount of a financial asset best represents the maximum exposure to credit risk, the standard does not require a positive statement to this effect in the financial statements. This amended disclosure requirement has been applied retrospectively. The carrying amount of the Group’s trade receivables represents the Group’s maximum exposure to credit risk in respect of these financial assets as at 31 December 2011 and 2010. The prior year financial statements included a positive statement to this effect which is removed in the 2011 financial statements following the amendments. The adoption of the amendments has no impact on the Group’s reported profit or loss, total comprehensive income or equity for any period presented.

HKAS 24 (Revised) – Related Party Disclosures

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition and as a consequence has amended the disclosures of its related party transactions in the current and comparative periods to include transactions with subsidiaries of the Group's associates and jointly controlled entity and to exclude transactions with an entity which was significantly influenced by a member of the Group's key management personnel. Related party transactions are disclosed in note 15 with the comparative information being restated to conform to HKAS 24 (Revised) in accordance with the transitional provisions in HKAS 24 (Revised). The adoption of HKAS 24 (Revised) has no impact on the Group's reported profit or loss, total comprehensive income or equity for any period presented.

HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

(b) New/revised HKFRS that have been issued but are not yet effective

At the date of authorisation of these financial statements, the following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued but are not yet effective and have been early adopted by the Group.

Amendments to HKAS 12 – Deferred Tax – Recovery of Underlying Assets

The amendments to HKAS 12 introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendments will be applied retrospectively.

The new accounting policy has been applied retrospectively by re-presenting the opening balances at 1 July 2009, with consequential reclassification adjustments to comparatives for the year ended 30 June 2010.

Effect of early adoption of the amendments to HKAS 12 on the consolidated income statement:

	For the period ended 31 December 2011 (Unaudited) HK\$'000	For the year ended 30 June 2011 (Restated) HK\$'000	For the period ended 31 December 2010 (Restated) HK\$'000	For the year ended 30 June 2010 (Restated) HK\$'000
Decrease in Income tax expense	(14,012)	(12,933)	(41,430)	(23,054)

Effect of early adoption of the amendments to HKAS 12 on consolidated statement of financial position:

	At 31 December 2011 (Unaudited) HK\$'000	At 30 June 2011 (Restated) HK\$'000	At 30 June 2010 (Restated) HK\$'000
Increase/(decrease) in Non-current liabilities:			
Deferred tax liabilities	(402,982)	(388,970)	(399,744)
Equity:			
Reserves	<u>402,982</u>	<u>388,970</u>	<u>399,744</u>

As a result of the above retrospective re-classification and restatement, an additional consolidated statement of financial position at 1 July 2010 has been presented in accordance with HKAS 1 Presentation of financial statements.

3. SEGMENT INFORMATION

The principal activities of the Group are principally engaged in property development and investment and provision of property management and related services.

In accordance with the Group's internal financial reporting provided to the board of directors, who is responsible for allocating resources, assessing performance of the operating segments and making strategic decision, the management considers the business from both business and geographical perspective.

From business perspective, the Group organised into the following main business segments:

- Property sales;
- Property rental;
- Estate management; and
- Others – securities trading, investments in derivative financial instruments and debenture

The board of directors assesses the performance of the operating segments based on the profit before income tax for the period.

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

Six months ended 31 December 2011				
	Property sales (Unaudited) HK\$'000	Property rental (Unaudited) HK\$'000	Estate management (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Revenue				
– From external customers	–	15,709	1,277	16,986
– Inter-segment revenue	–	1,233	–	1,233
Reportable segment revenue	–	16,942	1,277	18,219
Reportable segment profit	–	100,971	1,277	102,248
Reportable segment assets	1,604,585	3,628,787	826	1,974,198
Reportable segment liabilities	2,352	273,495	87	275,934
Six months ended 31 December 2010				
	Property sales (Unaudited) HK\$'000	Property rental (Unaudited) HK\$'000	Estate management (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Revenue				
– From external customers	–	20,162	1,311	21,473
– Inter-segment revenue	–	1,233	24,823	26,056
Reportable segment revenue	–	21,395	26,134	47,529
Reportable segment profit	–	271,682	225	271,907
Reportable segment assets	1,493,818	3,863,999	346	5,358,163
Reportable segment liabilities	21,527	259,050	98	280,675

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

	Six months ended 31 December	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Total reportable segment profit	102,248	271,907
Unallocated operating income	2,139	29,999
Unallocated operating expenses	(33,886)	(13,367)
Finance costs	(2,013)	(6,781)
Profit before income tax	68,488	281,758

4. OTHER INCOME

	Six months ended 31 December	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Gain on disposal of financial assets at fair value through profit or loss	–	6,157
Recovery of bad debts previously written off	8	15
Dividend income	1,357	1,027
Exchange gain, net	–	7,306
Interest income	460	–
Sundry income	315	392
	2,140	14,897

5. PROFIT BEFORE INCOME TAX

This is stated after charging the following:

	Six months ended	
	31 December	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(a) Finance costs		
Interest charges on:		
Bank loans and overdrafts wholly repayable within five years	8,463	9,756
Advances from a director	751	2,035
Other incidental borrowing costs	1	686
Total borrowing costs	9,215	12,477
Less: Interest capitalised into investment properties and properties under development for sale	(7,202)	(5,696)
Total interest charges for financial liabilities not at fair value through profit or loss	2,013	6,781
(b) Other items		
Depreciation	842	910
Exchange loss/(gain), net	3,784	(7,306)
Loss on disposal of financial assets at fair value through profit or loss	957	–
Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	6,648	6,744
Contribution to defined contribution plans	116	127

6. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2010: 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	
	2011 (Unaudited) HK\$'000	2010 (Restated) HK\$'000
Current tax		
– Hong Kong	689	1,660
– Overseas	28	–
Total income tax expense	<u>717</u>	<u>1,660</u>

7. DIVIDENDS

	Six months ended 31 December	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Final dividend of HK4.5 cents (2010: HK4 cents) per share	18,237	14,815
Proposed interim dividend of HK4 cents (2010: HK4 cents) per share	<u>16,562</u>	<u>15,113</u>
	<u>34,799</u>	<u>29,948</u>

During the period ended 31 December 2011, scrip dividend alternative was offered to shareholders in respect of 2011 final dividend. This alternative was accepted by shareholders as follows:

	Six months ended 31 December	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Dividends:		
Cash	1,706	1,623
Share alternative	<u>16,531</u>	<u>13,192</u>
	<u>18,237</u>	<u>14,815</u>

8. EARNINGS PER SHARE

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

Earnings

	Six months ended 31 December	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Profit attributable to equity holders of the Company for the purpose of calculating basic and diluted earnings per share	64,627	275,929

Number of shares

	At 31 December 2011 (Unaudited)	At 31 December 2010 (Unaudited)
Weighted average number of ordinary shares for the purposes of basic earnings per share	403,830,342	350,706,488
Effect of dilutive potential ordinary shares: Warrants	73,624	23,769,406
Weighted average number of ordinary shares for the purposes of diluted earnings per share	403,903,966	374,475,894

9. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 December 2011 (Unaudited) HK\$'000	At 30 June 2011 (Audited) HK\$'000
Financial assets at fair value through profit or loss		
Held for trading		
Equity securities listed in Hong Kong	88,847	102,210

10. TRADE AND OTHER RECEIVABLES

	At 31 December 2011 (Unaudited) HK\$'000	At 30 June 2011 (Audited) HK\$'000
Trade receivables	924	477
Prepayments, deposits and other receivables	5,415	7,862
	<u>6,339</u>	<u>8,339</u>

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

	At 31 December 2011 (Unaudited) HK\$'000	At 30 June 2011 (Audited) HK\$'000
0 – 30 days	226	94
31 – 60 days	163	124
61 – 90 days	87	68
Over 90 days	448	191
	<u>924</u>	<u>477</u>

11. TRADE AND OTHER PAYABLES

	At 31 December 2011 (Unaudited) HK\$'000	At 30 June 2011 (Audited) HK\$'000
Trade payables	709	512
Accrued charges and other payables	35,458	65,870
	<u>36,167</u>	<u>66,382</u>

The ageing analysis of the trade payables is as follows:

	At 31 December 2011 (Unaudited) HK\$'000	At 30 June 2011 (Audited) HK\$'000
0 – 30 days	392	175
31 – 60 days	55	55
61 – 90 days	55	55
Over 90 days	207	227
	<u>709</u>	<u>512</u>

12. SHARE CAPITAL

	Authorised		Issued and fully paid	
	(Unaudited) <i>No. of shares</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>No. of shares</i>	(Unaudited) <i>HK\$'000</i>
Ordinary shares of HK\$0.10 each				
At 1 July 2011	10,000,000,000	1,000,000	402,306,393	40,231
Issue of share pursuant to script				
Dividend scheme	–	–	7,187,463	719
Issue of shares by exercise of warrants (<i>note 1</i>)	–	–	4,554,081	455
At 31 December 2011	<u>10,000,000,000</u>	<u>1,000,000</u>	<u>414,047,937</u>	<u>41,405</u>

Notes:

- On 1 December 2010, the Company passed a resolution to approve the issue of one bonus warrant for every twenty existing shares of the Company held by the shareholders (“2011 December Warrants”). On 13 December, 2010, the Company issued 18,518,886 units of 2011 December Warrants. The holders of 2011 December Warrants are entitled to subscribe at any time during 13 December 2010 to 13 December 2011 for fully paid shares of the Company at an initial subscription price of HK\$1.80 per share (subject to adjustment). During the period, 4,554,081 shares of HK\$0.10 each per share were issued upon the exercise of 4,554,081 units of 2011 December Warrants. The remaining 166,720 units of 2011 December Warrants were expired 13 December 2011.

13 CAPITAL COMMITMENTS

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

	At 31 December 2011 (Unaudited) HK\$'000	At 30 June 2011 (Audited) HK\$'000
Authorised but not contracted for	522,063	55,508
Contracted but not provided for	727,726	324,330
	<u>1,249,789</u>	<u>379,838</u>

14 PLEDGE OF ASSETS

At 31 December 2011, the Group's total bank borrowings of HK\$1,088,261,000 (30 June 2011: HK\$952,480,000) was 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\$2,578,001,000 (30 June 2011: HK\$2,496,079,000), HK\$366,328,000 (30 June 2011: HK\$366,423,000) and HK\$80,000,000 (30 June 2011: HK\$80,000,000) and HK\$75,706,000 (30 June 2011: HK\$80,725,000), respectively;
- (ii) floating charge over all the assets and undertakings of certain subsidiaries;
- (iii) charge over certain bank account balances with carrying values of HK\$6,814,000 (30 June 2011: HK\$9,107,000);
- (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.

15 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	<i>Note</i>	Six months ended	
		31 December	
		2011	2010
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Salaries and other short-term employee benefits paid to key management personnel, including amounts paid to the Company's directors		4,882	3,548
Interest paid to Dr. Chao Sze-Tsung Cecil Architect and other professional service fees paid to CCAL	(a)	751	2,035
Cecil Chao Design (Macau) Limited ("CCA Macau")	(b)	1,500	1,500
Rental income received from Yan Yin Company Limited ("Yan Yin")	(c)	12,498	5,000
CCAL		–	30
Administration fee received from Yan Yin	(d)	219	408
CCAL		–	36
Commission paid to Szehope Securities Company Limited	(e)	–	120
Rental charge paid to Resource Development Limited	(e)	93	117
		2,280	2,280

- (a) Dr. Chao Sze-Tsung Cecil has provided unsecured advances, which have no fixed repayment term to the Group at 1.8% (30 June 2011: 1.8%) above the Hong Kong dollar prime rate per annum. At 31 December 2011, the advances from Dr. Chao Sze-Tsung Cecil to the Group amounted to HK\$28,360,000 (30 June 2011: HK\$19,360,000). Dr. Chao Sze-Tsung Cecil has confirmed that he will not request repayment of these advances until such time as the Group is in a position to repay.
- (b) CCAL and CCA 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.
- (c) Certain properties were leased to Yan Yin and CCAL as office premises on terms mutually agreed between both parties.
- (d) The Group charged administration fee to Yan Yin and CCAL for handling services rendered on terms agreed between both parties.
- (e) Dr. Chao Sze-Tsung Cecil is the beneficial owner of Szehope Securities Company Limited and Resource Development Limited.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

Turnover for the period ended 31 December 2011 (the “Period”) amounted to HK\$16,986,000 (Period ended 31 December 2010: HK\$21,473,000), a 20.9% decrease over the same period last year. It was mainly due to the decrease in turnover from rental income as ten units of Villa Cecil Phase II have been disposed. Rental income from Villa Cecil Phase III Block II will be reflected in the first half of 2013.

For property leasing, the Period recorded an decrease of 22.1% in rental income as compared with the corresponding year in 2010, amounting HK\$15,709,000 (31 December 2010: HK\$20,162,000).

Gross profit for the Period amounted to HK\$8,173,000, a 37.7% decrease as compared with the same period last year.

Other income recorded a decrease of 85.6% to HK\$2,140,000 when compared with the same period last year (31 December 2010: HK\$14,897,000). The other income for the Period were mainly attributed to dividend income from listed securities. The amount for same period last year represent gain on disposal of listed securities amounted to HK\$6,157,000 and exchange gain amounted to HK\$7,306,000. Gain on fair value adjustment on investment properties amounted to HK\$92,158,000 (31 December 2010: HK\$259,884,000). Administrative expenses decreased by 1.1% to HK\$11,134,000 as compared with the same period last year. Other operating expenses for the Period representing lost on disposal of listed securities and exchange loss from overseas investment. (31 December 2010: HK\$Nil). Finance costs recorded a decrease of 70.3% to HK\$2,013,000 as compared with the same period last year.

Profit attributable to owners of the Company for the Period was HK\$64,627,000 (31 December 2010: HK\$275,929,000). Basic earnings per share was HK\$0.16 (31 December 2010: HK\$0.79) and fully diluted earning per share was HK\$0.16 (31 December 2010: HK\$0.74).

Final dividend of HK4.5 cents for the year ended 30 June 2011 (30 June 2010: HK4 cents) was paid during the Period. Scrip dividend alternative was offered to shareholders in respect of 30 June 2011 final dividend.

The Board resolved an interim dividend of HK4 cents per share for the six months ended 31 December 2011 (31 December 2010: HK4 cents). Scrip dividend alternative was offered to shareholders in respect of 31 December 2011 interim dividend. The Board has also resolved a bonus issue of warrants on the basis of 1 warrant for every 25 issued shares held.

TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY

As at 31 December 2011, the Group's total equity attributable to owners of the Company amounted to approximately HK\$4,063,495,000 (30 June 2011: HK\$3,986,420,000 as restated), an increase of HK\$77,075,000 or 1.9% when compared with 30 June 2011. With the total number of ordinary shares in issue of 414,047,937 as at 31 December 2011 (30 June 2011: 402,306,393 shares), the total equity attributable to owners of the Company per share was HK\$9.81, a decrease of 1.0% over 30 June 2010: HK\$9.91. The decrease in total equity attributable to owners of the Company per share was mainly attributable to the increase in number of ordinary share but partly offset by increase in fair value of investment properties of the Group during the Period.

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

SECURITIES INVESTMENT

As at 31 December 2011, the fair value of investment in listed securities was HK\$88,847,000. During the Period, the portfolio was decreased by a net acquisition of HK\$2,731,000 and loss in fair value of HK\$16,094,000. The listed securities investments of HK\$88,847,000 as at 31 December 2011 representing 1.6% (30 June 2011: 1.9%) 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 2011 and 30 June 2011 were 414,047,937 and 402,306,393 respectively.

DEBT AND GEARING

As at 31 December 2011, the Group's bank and other borrowings amounted to HK\$1,121,041,000 (30 June 2011: HK\$973,351,000). Cash and bank balances amounted to HK\$101,141,000 (30 June 2011: HK\$95,615,000) and net borrowing amounted to HK\$1,019,900,000 (30 June 2011: HK\$877,736,000).

Total debts to equity ratio was 27.2% (30 June 2011: 24.1%) and net debt to equity ratio was 24.8% (30 June 2011: 21.8%).

The increase in the total debt to equity ratio and net debt to equity ratio were mainly due to increase in bank borrowing during the Period resulted from increase in investment in our subsidiaries in China.

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\$1,092,681,000, 42.3%, 40.9% and 16.8% were repayable within 1 year, 1 to 2 years and 2 to 5 years respectively by reference to the repayment schedule of the loan agreement. 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 2011, the Group's investment properties, properties for sales, property, plant and equipment and listed securities with their respective carrying value of HK\$2,578,001,000 (30 June 2011: HK\$2,496,079,000), HK\$366,328,000 (30 June 2011: HK\$366,423,000), HK\$80,000,000 (30 June 2011: HK\$80,000,000) and HK\$75,706,000 (30 June 2011: HK\$80,725,000) were pledged to secure general banking facilities of the Group.

FINANCIAL AND INTEREST EXPENSES

Financial costs included interest expenses on bank and other loans, arrangement, facility and commitment fee expenses. Interest capitalized for the Period was HK\$7,202,000 as compared to HK\$5,696,000 for the same period last year. Interest expenses for the Period amounted to HK\$2,013,000, representing 70.3% decrease over the interest expenses of HK\$6,781,000 recorded for the same period last year. The decrease in interest expense was mainly due to increase in interest capitalized during the Period. The average interest rate over the year under review was 0.9% (31 December 2010: 0.9%) 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 44 (Period ended 31 December 2010: 44) 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 year 2011, the Government has introducing a series of market-cooling moves including but not limited to Special Stamp Duty for sale of property within two years of its acquisition, tightening of mortgage rules, etc. In addition, the uncertainties of the European economy has adverse effect to the properties market.

1. One Kowloon Peak

The foundation work of Phase II has commenced and expected to be completed by mid-2012. Superstructure will be started following the completion of foundation work and expected to be completed by 2013.

2. Villa Cecil Phase II

Occupancy rate is satisfactory and negotiation for renewal continues for tenancy expiry in 2012.

3. Villa Cecil Phase III

Leasing for Block II continued with satisfactory occupancy rate. Negotiation for new lease for Block I and II and renewal for expiry lease in Block I is continued.

4. New Villa Cecil

Superstructure for Phase I is in progress and anticipated to obtain Occupation Permit in early 2012. Construction work for Phase II will be commenced after Phase I completed.

CHINA

The People's Bank of China cut its required reserve ratio by 0.5% in December, 2011. It is anticipated that the liquidity in the mainland China will be improved.

1. Cheuk Nang Garden, Shenzhen

The previous main contractor has handover the site back to us in October, 2011. A new main contractor, 廣廈建設集團有限責任公司, has been appointed and take over the site. Construction work will be resumed after all relevant construction permit has been renewed.

2. Cheuk Nang • Riverside

Main contract has been awarded to 廣廈建設集團有限責任公司. Construction work will be commence when all construction permit obtained.

MACAU

The general building plan for development project has been approved. Detail Building plan and Structural plan have been submitted for approval in October 2011.

MALAYSIA

Phase I named “Parkview” has been operated as service apartment with satisfactory income. For Phase II to V named “Central Plaza”, site formation work was completed. The contract of piling work for Phase II will be awarded shortly.

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 2011 and that valuation was used in preparing the financial statements for the six months ended 31 December 2011. The Group’s investment properties and investment properties under development were valued at HK\$2,338,570,000 and HK\$1,285,806,000 respectively making the total HK\$3,624,376,000 (30 June 2011: investment properties and investment properties under development were valued at HK\$2,258,590,000 and HK\$1,251,738,000 making the total HK\$3,510,328,000). The aggregate increase in fair value of approximately HK\$92,158,000 was credited to the income statement for the Period. The Group land and building held for own use carried at fair value were valued at HK\$80,000,000 (30 June 2011: HK\$80,000,000). No changes in fair value 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

The global economy will continue to be challenging for the coming year and the Group will continue diversify the by diversifying its investment in China, Hong Kong, Macau and Malaysia.

Following the recent economic development in Hong Kong and mainland China, the Group expecting the property sector in Hong Kong and mainland China will remain cautious for the coming year.

INTERIM DIVIDEND

The Directors resolved to recommend the payment of an interim dividend of HK4 cents (2011: HK4 cents) per share payable to those shareholders whose names appeared in the register of members as at the close of business on 10 April 2012. The interim dividend will be paid on 3 May 2012.

CLOSURE OF REGISTER

The register of members of the Company will be closed from 2 April 2012 to 10 April 2012 (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 30 March 2012.

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 2011.

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.

Board Audit Committee

The Board Audit Committee comprises three member namely Mr. Lam Ka Wai Graham, Mr. 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, 2011.

The terms of reference of the Audit Committee was revised in order to comply with the amended Listing Rules which will become effective on 1 April 2012.

Remuneration Committee

Mr. Chao Howard and Ms. Ho Sau Fun Connie are appointed as additional members of the Remuneration Committee with effect from 27 February 2012. The existing terms of reference of the Remuneration Committee already adopted a model where the remuneration committee performs an advisory role to the board, with the board retaining the final authority to approve executive directors' and senior management's remuneration has already complied with the requirement of the amended Listing Rules which will become effective on 1 April 2012.

The Remuneration Committee currently comprises five members namely, Mr. Leung Wing Kong Joseph (Chairman), Dr. Sun Ping Hsu Samson, Mr. Lam Ka Wai Graham, Mr. Chao Howard and Ms. Ho Sau Fun Connie and the majority are Independent Non-Executive Directors.

Nomination Committee

The Nomination Committee was formed on 27 February 2012 and the terms of reference of the Nomination Committee was adopted on the same day.

The Nomination Committee currently comprises five members namely, Dr. Chao Sze-Tsung Cecil (Chairman), Dr. Sun Ping Hsu Samson, Mr. Leung Wing Kong Joseph, Mr. Lam Ka Wai Graham and Miss Chao Gigi and the majority are Independent Non-Executive Directors.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 six months ended 31 December 2011. 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.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2011, the interests and short positions of the Directors and Chief Executive in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name	Equity	Personal interest	Corporate interests
Chao Sze-Tsung Cecil	Ordinary Shares of HK\$0.1 each	19,248,942 shares	270,852,319 shares
Lee Ding Yue Joseph	Ordinary Shares of HK\$0.1 each	2,112,127 shares	—

Note: The shareholdings disclosed by Dr. Cecil Sze-Tsung Chao under the heading "Corporate Interests" in the above represents the shares held by Yan Yin Company Limited and Szehope Securities Company Limited, substantial shareholders of the Company.

The Company did not grant to the Directors, Chief Executive or their associates any right to subscribe for shares in the Company.

Save as disclosed above, none of the Directors or their associates had any interest or short position in the shares of the Company or its subsidiaries as at 31 December 2011 that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies

At no time during the year was the Company, any of its subsidiaries, its fellow subsidiaries or its holding company a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

Hong Kong, 27 February 2012

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