

CHEUK NANG (HOLDINGS) LIMITED
卓能(集團)有限公司

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

CHAIRMAN'S STATEMENT

Results and Dividend

I am pleased to announce that the unaudited consolidated profit after taxation for the six months ended 31 December 2006 of our Group is HK\$265,550,000 (2005: HK\$97,649,000) as set out in the unaudited condensed consolidated income statement which has been reviewed by the Company's audit committee.

The Directors resolved to recommend the payment of an interim dividend of HK5.5 cents per share (2005: HK4.5 cents), an increase of 22.2% when compare to last year. Based on the current number of issued shares, the total amount of interim dividend payable is HK\$11,875,000 which is 247.3% over 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 appear on the register of members at the close of business on 18 April 2007.

Placement, Rights Issue and Warrants

A net proceed in the sum of HK\$626,000,000 was capitalized during 2006-2007 from the stock market through Rights Issues, Placements of shares and issue of Bonus Warrants. Details of the capitalization are described as follows:

(I) Placement and Top-up Subscription of Shares

- (i) Yan Yin Company Limited (“Yan Yin”), a substantial shareholder of the Company has entered into a Placing Agreement with Citigroup Global Markets Limited (“Citigroup”) on 28 July 2006 whereby Yan Yin agreed to sell and Citigroup agreed to purchase 11,000,000 shares in the Company at a total consideration of HK\$44,000,000.

On the same day, the Company has entered into a Subscription Agreement with Yan Yin whereby Yan Yin will subscribe and the Company will allot and issue 11,000,000 shares at a total consideration of HK\$44,000,000. The issue of new shares has been approved by the Listing Committee of The Stock Exchange of Hong Kong Limited.

The Placement of Shares was completed on 1 August 2006 and the Subscription of Shares was completed on 11 August 2006.

- (ii) Yan Yin has entered into a Placing Agreement with Value Partners Limited (“Value Partners”) on 4 December 2006 whereby Yan Yin agreed to sell and Value Partners agreed to purchase 10,000,000 shares in the Company at a total consideration of HK\$40,000,000.

On the same day, the Company has entered into a Subscription Agreement with Yan Yin whereby Yan Yin will subscribe and the Company will allot and issue 10,000,000 shares at a total consideration of HK\$40,000,000. The issue of new shares has been approved by the Listing Committee of The Stock Exchange of Hong Kong Limited.

The Placement of Shares was completed on 8 December 2006 and the Subscription of Shares was completed on 15 December 2006.

- (iii) Yan Yin has entered into a Placing and Subscription Agreement with the Company and a Fund Placing Agent on 12 February 2007 to appoint the Placing Agent for placement of 23,000,000 shares to the investors at total consideration of HK\$164,450,000. Following the completion of the Placement, Yan Yin will subscribe and the Company will allot and issue 23,000,000 shares at a total consideration of HK\$164,450,000. The issue of new shares has been approved by the Listing Committee of The Stock Exchange of Hong Kong Limited.

The Placement of Shares was completed on 15 February 2007 and the Subscription of Shares was completed on 26 February 2007.

(II) Rights Issue

Resolutions in respect of the proposed rights issue was passed at the Extraordinary General Meeting of the shareholders on 14 November 2006 whereby the issue of 87,737,336 Rights Shares at a price of HK\$4 per Rights Share on the basis of one Rights Share for every one existing shares was approved. There was over-subscription of rights shares and the net proceed received amounted to HK\$350,000,000. The Rights Shares were issued to the shareholders on 5 December, 2006.

(III) Bonus Issue of Warrants and Refreshment of General Mandate

Resolutions in respect of the proposed bonus issue of warrants and refreshment of general mandate were passed at the Extraordinary General Meeting of the shareholders on 8 February, 2007 whereby bonus warrants of 37,175,810 units at an initial share subscription price at HK\$5 per share were issued on 12 February, 2007. The warrants are exercisable at any time between 12 February 2007 and until 4:00p.m. on 11 February 2009. Until now, there are a total of 7,035,460 units of warrants being exercised, being approximately 19% of the total issued warrants and a sum of HK\$35,177,300 being credited to the accounts. The refreshment of general mandate empower the Board of Directors to issue new shares not exceed 20% of the issued share of the Company. Based on the number of issued shares as at the date of passing of the resolutions, the maximum number of new shares to be issued will be 37,175,810 shares, in which, 23,000,000 shares were being issued on 26 February 2007 pursuant to the provisions of the Placing and Subscription Agreement signed on 12 February 2007.

Appointment of New Directors

Dr. Samson Sun Ping-Hsu was appointed as Independent Non-Executive Director, Mr. Joseph Lee Ding Yue was appointed as Non-Executive Director and Mr. Howard Chao was appointed as Executive Director on 1 December 2006.

Review of Operations

Hong Kong Properties

The sale of medium size residential properties arisen from the bottom in the second half of 2006, amongst other things, the primary market become more active. The atmosphere of the sale market has shown improvement due to the stable interest rate and recent mortgage rate cut competition. According to the figures released by the Rating and Valuation Department recently, there were a total of 16,580 residential units completed in 2006 while there will be only 12,740 units completed in 2007 which is recorded the lowest in the past 35 years. Amongst the 12,740 units, mostly are small to medium size units and the number of luxury residential units is less than 1,500 units. The deluxe residential market has performed prominently in 2006. Luxury residential units for senior expatriate employees of foreign corporations in Hong Kong is increasingly in demand. Since the new supply continued to be limited, luxury residential rental and capital values are expected to increase further in 2007.

The progress of our development in Hong Kong are as follows:

1. *One Kowloon Peak (formerly known as Cheuk Nang Bridgeview Bay), No. 8 Po Fung Terrace, Ting Kau, Tsuen Wan*

The superstructure work for Phase 1 has completed and interior work is now in progress. It is anticipated that the Occupation Permit will be issued by second half of 2007.

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

90% of the units in Villa Cecil Phase II are leased with satisfactory income.

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

The construction of apartment Block 1 is completed awaiting issuance of Occupation Permit. Marketing for rent of Block I will soon be followed. The construction work of Block 2 is now in progress.

4. *Cheuk Nang 21st Century Plaza, 250 Hennessy Road*
The building will be renamed to “Cheuk Nang Plaza” with effect from 1 May 2007.
The occupancy of the building remains 90%.
5. *Cheuk Nang Lookout, 30 Severn Road, The Peak*
Fully rented.
6. *Shops 1, 3 and 5, Scenic Crest, 18A Mui Wo Ferry Pier Road*
The shops are now under renovation and will be named “Scenic Bazaar” after the renovation is completed. Marketing for rent of small shops and restaurants is now in progress.

Macau Properties

Following the grand opening of the Wynn Macau and the Grand Lisboa, the property market in Macau was improved since the third quarter of 2006. An unofficial data showing that the application for investment immigration in Macau has increased which have boosted up the demand for residential units with sales price below MOP2,000,000. Expatriate employees including from China and Hong Kong show increasing demand for residential units.

It is expected that the residential market of Macau will continue improve. Following the opening of some international-branded casinos and hotels in the coming years, the economy of Macau will be benefited as a whole and strengthen the position of Macau as Asian Las Vegas.

Estrada de Seac Pai Van, Coloane

The entire development will be divided into three phases:

- (i) 1st phase - Towers 1 and 5
- (ii) 2nd phase - Towers 2 to 4
- (iii) 3rd phase - Hotel/Serviced Apartments

The marketing campaign of Phase 1 has not been launched but reservation is accepted since December 2006. Over 60% of the units in Tower 5 are being reserved by purchasers. The demolition, site formation and the rock excavation work is now under progress. The revised building plans were submitted to the Macau authorities for approval in August 2006 waiting for approval. Following the appointment of the new Secretaria para os

Transportes e Obras Publicas, we believe the time for processing the approval of the building plans will be curtailed.

China Properties

The growth of the China economy will lead to the appreciation of real estate while on the other hand, the lack of transparency of the Chinese Government and the frequently change in policies has made the investors to be more cautious. Although there is not yet much significant impact on the property market towards the further controlling policy of the Chinese Government, the Central Government will continue their policies to avoid property market over heat and to ensure the property price at reasonable level. We believe it is not the wish of the Central Government to deteriorate the market. Such policies can create a well-regulated and stable property market in the long run.

Cheuk Nang Garden

Longhwa, Longgang, Shenzhen

The superstructure work contract was awarded and it is anticipated that the construction will be finished by 2008.

Malaysia Properties

In order to reduce the disparities between rural and urban areas as well as between less developed and more developed regions, the Malaysian Government will increase the development allocation for development of rural areas and less developed regions. In this regards, the land supply in city centre will be more limited. The stock market of Malaysia has arisen by 30% last year, the stock price of February has recorded the highest in the past 12 months. Currently, the price of the properties in the city of Malaysia is only 10% of those in the city of Singapore, moreover, the appreciation potential of Ringgit Malaysia will benefit our investment.

Cecil Chao Centre

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

Phase I named "Parkview"

The marketing of the units at Ground Floor to the 11th Floor of Parkview has been launched in July 2006 and over 60% of the units were sold. The remaining 40% of the units are reserved for Serviced Apartment.

Phases II and III named “Central Plaza”

The Development Order of Phases II and III was obtained and a premium for new development order was issued at RM8,583,000. We will submit the new building detail plans to the authority.

Entertainment Centre and Car Park

The existing entertainment continue to be rented out and the car park is being managed by our local staff. The rental income generated from the entertainment centre and the car park are found satisfactory and sufficient to cover all our running expenses in Kuala Lumpur.

Prospect and Future Policy

Following the continuous economic growth in the past three years, the recently released Budget for 2007/08 shows that the Hong Kong Government is trying to enable all levels of people can enjoy the fruits of the economic growth. Besides, with stable oil price and interest rate, Hong Kong still has the privilege of being a preferred destination for foreign and Mainland China companies to set up their offices, because of the existing low and simple tax system. A stable economic growth for 2007 can be projected.

Following the completion of the placements and the rights issue, the financial position of the Group has significantly improved. We will continue our policy to diversify our investment in the four areas namely Hong Kong, Macau, China and Malaysia to balance the investment risk.

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

Hong Kong, 28 March 2007