



CHEUK NANG (HOLDINGS) LIMITED

INTERIM REPORT
FOR THE SIX MONTHS ENDED 31/12/2007

CHEUK NANG (HOLDINGS) LIMITED

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2007

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 2007 of our Group is HK\$311,162,000 (2006: HK\$265,550,000) as set out in the unaudited 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 HK6 cents per share (2006: HK5.5 cents), an increment of 9.1% when comparing to last year. Based on the current number of issued shares, the total amount of interim dividend payable is HK\$15,376,000 which is 29.5% 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 17 April 2008.

Rights Issue

The Board proposed on 11 January, 2008 to raise approximately HK\$176 million (net of expenses) by way of a rights issue of 31,996,595 Rights Shares at a price of HK\$5.60 per Rights Share on the basis of one Rights Share for every seven existing shares. The Rights Issue was 1.23 times subscribed and the Underwriting Agreement became unconditional on 25 February, 2008. The share certificates in respect of the Rights Shares were dispatched to the shareholders on 4 March, 2008 and the dealing of the Rights Shares on the Stock Exchange commenced on 6 March, 2008.

REVIEW OF OPERATIONS

Hong Kong Properties

With strong economic growth, the deluxe property outperformed. With the resurgence of the market, some of the deluxe home price go beyond the highest price in 1997. In order to stabilize the economy, the US Federal Reserve cut interest rate twice in the fourth quarter of 2007 and further reducing interest rate are expected in early 2008. The historical low interest rate further boosted the property market. Meanwhile, some tenants plus expatriates who had leased properties for a long time have planned to buy their own homes. Thus, the average price augmented amid strong demand and the overall transaction was buoyant. In addition, the supply somehow decreased gradually. According to the information released by the government, the number of new supply of large units would be less than 3,000 in 2008. As a result, luxurious large units become more valuable. Almost all our developments in Hong Kong are deluxe sector, the trend is very beneficial to us.

The progress of our projects are as follows:–

1. *One Kowloon Peak, No. 8 Po Fung Terrace, Ting Kau, Tsuen Wan*
The Occupation Permit was issued in early December, 2007. The application for pre-sale consent is in progress. It is anticipated that the pre-sale consent will be approved and the sale campaign will be launched start this year.
2. *Villa Cecil Phase II, 192 Victoria Road, Pokfulam*
Besides one unit, all apartments in Villa Cecil Phase II are leased with rental income improved.
3. *Villa Cecil Phase III, 216 Victoria Road, Pokfulam*
Tower 1 is fully rented. The site formation work of Tower 2 is in progress and the piling and superstructure work will be commenced this year.
4. *Cheuk Nang Plaza, 250 Hennessy Road*
The occupancy of the building remains 90% with satisfactory income.
5. *Cheuk Nang Lookout, 30 Severn Road, The Peak*
Fully leased.
6. *New Villa Cecil, Shui Hang, Cheung Chau*
The site investigation work was completed and the general building plans was approved by the Buildings Department. Site formation work is expected to commence this year.

China Properties

In the third quarter of 2007, the People's Bank of China has lifted up the interest rates for savings deposits and loans three times, decreased the interest tax rate from 20% to 5%; whilst simultaneously increasing the deposit reserve ratio seventh times in 2007. All these financial and monetary policies are aimed to curb the unhealthy inflation and extensive growth of economy.

Influenced by a series of macro-control policies, Shenzhen's property market experienced a cool down in the second half of year 2007. Transaction volume during the fourth quarter went down by 70-80% in Shenzhen when compare to the same period of year 2006. By the end of year 2007, the residential prices in Shenzhen dipped by about 20%.

There were several pieces of land successfully auctioned in the second half of 2007. Most of the residential lands are situated in Longgang. It can be foreseen that Longgang will be the focus of development in the coming years in Shenzhen.

Cheuk Nang Garden, Longhwa, Longgang, Shenzhen

The superstructure construction is still in progress and it is anticipated that the construction will be finished by 2009.

Macau Properties

Following the grand opening of The Venetian, Macau-Resort-Hotel, MGM Grand Macau and the Grand Lisboa, the demand and the price of deluxe properties in Macau, especially in the Cotai region, has boosted upward. The sale price of properties has a recorded highest and the increase in demand for residential properties for Expatriates also boosted the rental market which result to an increase in rental for over 10%.

Golden Strip No. 1 (formerly known as Cotai Strip No. 1), Estrada de Seac Pai Van, Coloane

The architectural building plans submitted are still pending Government reply.

Malaysia Properties

The investment market remained relatively steady during 2007. With significant transactions involving government-linked bodies, institutional funds and overseas investors and new supply limited over the course of the years, the market continued to show rental and capital value growth.

Cecil Chao Centre

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

Phase I named "Parkview"

The remaining units located between Level 2 to Level 11 are now converted into serviced apartments under the management of our local office in Kuala Lumpur. Marketing and promotional campaign were launched at the beginning of 2008 and has achieved good leasing rate.

Phases II to V named "Central Plaza"

Development order for Phase II has been approved. The preparation of structural building plans is in progress and will be submitted to the government authority in due course.

Entertainment Centre and Car Park

The existing entertainment centre continue to be rented out and the car parking is well rented.

FUTURE PROSPECT

The recently released Budget for 2008/09 shows that the Hong Kong Government is trying to enable all levels of people can enjoy the fruits of the economic growth. Although we are facing a high inflation rate, with low unemployment rate, low interest rate and low tax rate, a stable economic growth for 2008 can be projected. Without unforeseen circumstance, all our investment outside Hong Kong will also bring good profits.

By order of the Board

CECIL SZE-TSUNG CHAO

Executive Chairman

Hong Kong, 27 March 2008

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

Turnover for the six months ended 31 December 2007 (the “Period”) amounted to HK\$40,464,000 (2006: 30,154,000), a 34.2% increase over the same period last year. It was mainly due to the increase in turnover of sale of investment properties in Malaysia.

For property leasing, the Period recorded an increase of 4.2% in rental income as compared with the corresponding period in 2006, amounting HK\$17,266,000 (2006: HK\$16,577,000).

Gross profit for the Period amounted to HK\$13,700,000, a 2.0% increase as compared with the same period last year.

Other income recorded an increase of 391.1% to HK\$28,599,000 when compared with the same period last year. Change in fair value of investment properties increased by 15.1% to HK\$359,236,000 as compared with the same period last year. Administrative expenses increased by 23.6% to HK\$11,294,000 as compared with the same period last year. Finance costs recorded an increase of 31.2% to HK\$15,891,000 as compared with the same period last year.

Profit attributable to equity holders of the Company for the Period was HK\$302,999,000 as compared to HK\$265,937,000 for the same period last year. Earnings per share was HK\$1.38 (2006: HK\$2.56).

An interim dividend of HK6 cents per share for the period ended 31 December 2007 (2006: HK5.5 cents) was proposed by the Board. Scrip dividend alternative was offered to shareholders.

TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

As at 31 December 2007, the Group's total equity attributable to equity holders of the Company amounted to approximately HK\$3,061,741,000 (2006: HK\$2,337,068,000), an increase of HK\$724,673,000 or 31.0% when compared with 31 December 2006. With the total number of ordinary shares in issue of 223,683,280 as at 31 December 2007 (2006: 185,879,054 shares), the total equity attributable to equity holders of the Company per share was HK\$13.7, an increase of 8.7% over 31 December 2006: HK\$12.6. The increase in total equity attributable to equity holders of the Company per share was mainly due to the profit retained for the year and increase in fair value of investment properties.

Included in the total equity attributable to equity holders of the Company is deferred tax liabilities of HK\$436,437,000 on fair value gains on investment properties. If such deferred tax liabilities are excluded, the total equity attributable to equity holders of the Company will become HK\$3,498,178,000 or HK\$15.6 per share.

Other than the existing projects and those disclosed in the interim report, the Group is looking for properties or development projects for future development but no project has been agreed at the balance sheet date.

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 2007 and 31 December 2006 were 223,683,280 and 185,879,054 respectively.

DEBT AND GEARING

As at 31 December 2007, the Group's bank and other borrowings amounted to HK\$1,224,969,000 (2006: HK\$1,263,306,000). Cash and bank balances amounted to HK\$115,532,000 (2006: HK\$28,147,000) and net borrowing amounted to HK\$1,109,437,000 (2006: HK\$1,235,159,000).

Total debts to equity attributable to equity holders of the Company ratio was 40.0% (2006: 54.1%) and net debt to equity attributable to equity holders of the Company ratio was 36.2% (2006: 52.9%). The decrease in both ratio were mainly due to the placing of shares during the year 2007.

At the balance sheet date, the Group's bank and other borrowings were denominated in Hong Kong dollars 98.7% and Renminbi 1.3%. Of the Group's total bank and other borrowings of HK\$1,224,969,000, 13.1%, 23.6%, and 63.3% were repayable within 1 year, 1 to 2 years and 2 to 5 years respectively. The Group's bank and other borrowings carried interest rates by reference to HIBOR and PBOC. No hedging for interest rate subsisted at the end of the Year.

PLEDGE OF ASSETS

As at 31 December 2007, the Group's investment properties and properties for sale with their respective book value of approximately HK\$2,959,188,000 (2006: HK\$3,051,187,000) and HK\$624,965,000 (2006: HK\$947,589,000) 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\$11,675,000 as compared to HK\$26,015,000 for the same period last year. Interest expenses for the Period amounted to HK\$15,891,000, representing 31.2% increase over the interest expenses of HK\$12,113,000 recorded for the same period last year. The increase in interest expense was mainly due to increase in interest rate during the Period.

REMUNERATION POLICIES AND SHARE OPTION SCHEME

During the period under review, the Group employed a total of 46 (2006: 46) staff.

Employees were remunerated on the basis of their performance, experience and prevailing industry practice. Remuneration packages comprised salary, year end double pay and year end discretionary bonus based on market conditions and individual performance. The Executive Directors continued to review employees' contributions and to provide them with necessary incentives and flexibility for their better commitment and performance. No share option scheme was adopted for the Year.

HONG KONG

The property market in the year 2007 has shown substantial growth especially the deluxe residential properties which is our core business. One Kowloon Peak Phase I marketing will be started after the pre-sale consent obtained. We anticipate to achieve good profit judging from the present sentiment. Villa Cecil Phase III, Tower 1, has completed and fully leased. Site investigation for “New Villa Cecil” was completed and the general building plans was approved by the Buildings Department. Site formation work is expected to commence this year.

MACAU

The development project, Golden Strip No. 1 (formerly known as Cotai Strip No. 1), at Estrada de Seac Pai Van, Coloane Island was at the architectural building plan approval stage at the balance sheet date.

CHINA

The Group’s development project in Longhwa Shenzhen was at the stage of superstructure construction at the balance sheet date.

MALAYSIA

Development Order for Phase II named “Central Plaza” has been approved by the local authority and the preparation of structural building plans is in progress.

PROPERTY VALUATION

A property valuation has been carried out by Directors in respect of the Group’s investment properties as at 31 December 2007 and that valuation was used in preparing 31 December 2007 financial statements. The Group’s investment properties were valued at HK\$3,716,000,000 (2006: HK\$3,059,687,000). The increase in fair value of approximately HK\$359,236,000 was credited to the income statement for the Period. Properties under development for sale of the Group were stated at lower of cost and net realisable value in the financial statements.

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 year ended 31 December 2007

		Six months ended	
		31 December	
		2007	2006
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Turnover	2	40,464	30,154
Direct costs		(26,764)	(16,723)
Gross profit		13,700	13,431
Other income	3	28,599	5,823
Change in fair value of investment properties		359,236	312,114
Administrative expenses		(11,294)	(9,135)
Finance costs	4b	(15,891)	(12,113)
Profit before taxation	4	374,350	310,120
Taxation	5	(63,188)	(44,570)
Profit for the period		311,162	265,550
Attributable to:			
Equity holders of the Company		302,999	265,937
Minority interests		8,163	(387)
Profit for the period		311,162	265,550
Dividends	6	56,931	26,790
Earnings per share	7		
Basic		HK\$1.38	HK\$2.56
Diluted		HK\$1.31	N/A

Condensed Consolidated Balance Sheet

As at 31 December 2007

	31 December	30 June
	2007	2007
	(Unaudited)	(Audited)
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets		
Investment properties	3,716,000	3,307,455
Property, plant and equipment	8,373	2,830
Mortgage loans	241	501
Other non-current assets	950	950
	<hr/> 3,725,564 <hr/>	<hr/> 3,311,736 <hr/>
Current assets		
Properties under development for sale	988,913	914,235
Completed properties for sale	32,282	47,336
Financial assets at fair value through profit or loss	219,167	2,932
Trade and other receivables	9,168	6,857
Prepaid tax	2,398	637
Bank balances and cash	115,532	61,565
	<hr/> 1,367,460 <hr/>	<hr/> 1,033,562 <hr/>
Current liabilities		
Bank overdrafts	10,856	–
Trade and other payables	298,498	293,948
Current portion of interest-bearing borrowings	149,908	143,573
Taxation	6,164	6,236
	<hr/> 465,426 <hr/>	<hr/> 443,757 <hr/>
Net current assets	<hr/> 902,034 <hr/>	<hr/> 589,805 <hr/>
Total assets less current liabilities	<hr/> 4,627,598 <hr/>	<hr/> 3,901,541 <hr/>

		31 December	30 June
		2007	2007
		(Unaudited)	(Audited)
<i>Note</i>		HK\$'000	HK\$'000
Non-current liabilities			
Non-current portion of			
interest-bearing borrowings		858,023	563,711
Advances from a director		166,182	92,759
Advances from a related company		40,000	67,000
Deferred tax liabilities		432,879	371,121
		<hr/> 1,497,084 <hr/>	<hr/> 1,094,591 <hr/>
NET ASSETS		3,130,514 <hr/> <hr/>	2,806,950 <hr/> <hr/>
CAPITAL AND RESERVES			
Issued capital	10	22,369	21,785
Reserves		3,039,372 <hr/>	2,724,555 <hr/>
Total equity attributable to equity			
holders of the Company		3,061,741	2,746,340
Minority interests		68,773 <hr/>	60,610 <hr/>
TOTAL EQUITY		3,130,514 <hr/> <hr/>	2,806,950 <hr/> <hr/>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2007

	Equity attributable to equity holders of the Company						
	Share	Exchange	Special	Share	Retained	Minority	Total
	capital	reserve	capital	premium	profits	interests	equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 July 2006	7,674	(65,158)	320,065	143,723	1,242,586	–	1,648,890
Dividend paid	40	–	–	1,577	(14,915)	–	(13,298)
Issue of shares	10,874	–	–	424,075	–	–	434,949
Share issue expense	–	–	–	(4,345)	–	–	(4,345)
Disposal of partial interests in a subsidiary	–	–	–	–	–	565	565
Profit (Loss) for the period	–	–	–	–	265,937	(387)	265,550
Exchange differences	–	4,935	–	–	–	–	4,935
At 31 December 2006	<u>18,588</u>	<u>(60,223)</u>	<u>320,065</u>	<u>565,030</u>	<u>1,493,608</u>	<u>178</u>	<u>2,337,246</u>
At 1 July 2007	21,785	(51,866)	320,065	766,802	1,689,554	60,610	2,806,950
Dividend paid	–	–	–	–	(41,555)	–	(41,555)
Issue of shares	584	–	–	33,826	–	–	34,410
Share issue expense	–	–	–	(94)	–	–	(94)
Profit for the period	–	–	–	–	302,999	8,163	311,162
Exchange differences	–	19,641	–	–	–	–	19,641
At 31 December 2007	<u>22,369</u>	<u>(32,225)</u>	<u>320,065</u>	<u>800,534</u>	<u>1,950,998</u>	<u>68,773</u>	<u>3,130,514</u>

Condensed Consolidated Cash Flow Statement

For the six months ended 31 December 2007

	Six months ended	
	31 December	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash from operating activities	6,973	14,874
Net cash used in investing activities	(281,051)	(86,865)
Net cash from financing activities	317,189	95,326
Net increase in cash and cash equivalents	43,111	23,335
Cash and cash equivalents at 1 July	61,565	4,812
Cash and cash equivalents at 31 December	<u>104,676</u>	<u>28,147</u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	115,532	28,147
Bank overdrafts	(10,856)	–
	<u>104,676</u>	<u>28,147</u>

Notes to the Condensed Consolidated Financial Statements

1. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

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

The accounting policies and basis of preparation adopted in the condensed consolidated interim financial statements are consistent with those adopted in the annual financial statements for the year ended 30 June 2007, except for the accounting policy changes that are expected to be reflected in the 2008 annual financial statements. Details of these changes in accounting policies are set out below.

Change in accounting policies

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards (“HKFRS” which term collectively includes individual HKFRS, HKAS and Interpretations) that are effective for accounting periods beginning on or after 1 July 2007 as follows:

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC) – Interpretation 10	Interim Financial Reporting and Impairment ²
HK(IFRIC) – Interpretation 11	Group and Treasury Share Transactions ³

¹ Effective for annual period beginning on or after 1 January 2007

² Effective for annual period beginning on or after 1 November 2006

³ Effective for annual period beginning on or after 1 March 2007

The adoption of these new HKFRS has had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognized. The Group has not early applied the following new/ revised standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of financial statement ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Interpretation 12	Service Concession Arrangements ²
HK(IFRIC) – Interpretation 13	Customer Loyalty Programmes ³
HK(IFRIC) – Interpretation 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ²

¹ Effective for annual period beginning on or after 1 January 2009

² Effective for annual period beginning on or after 1 January 2008

³ Effective for annual period beginning on or after 1 July 2008

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

2. SEGMENT INFORMATION

An analysis of the Group's turnover and profit from operations by principal activities is as follows:

	Turnover		Profit from operations	
	Six months ended		Six months ended	
	31 December		31 December	
	2007	2006	2007	2006
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Property sales	21,845	11,894	1,284	68
Property rental	17,266	16,577	11,194	11,814
Estate management	1,213	1,122	1,082	988
Others	140	561	140	561
	<u>40,464</u>	<u>30,154</u>	<u>13,700</u>	<u>13,431</u>
Other income			28,599	5,823
Change in fair value of investment properties			359,236	312,114
Unallocated operating income and expenses			(11,294)	(9,135)
Profit from operations			<u>390,241</u>	<u>322,233</u>

3. OTHER INCOME

	Six months ended	
	31 December	
	2007	2006
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gain on disposal of partial interests in a subsidiary	–	4,849
Net gain on disposal of financial assets at fair value through profit or loss	541	25
Change in fair value of financial assets at fair value through profit or loss	26,432	114
Recovery of bad debts previously written off	275	63
Dividend income	1,173	–
Sundry income	178	772
	<u>28,599</u>	<u>5,823</u>

4. PROFIT BEFORE TAXATION

This is stated after charging the following:

	Six months ended	
	31 December	
	2007	2006
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
(a) Other items		
Depreciation	647	279
Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	2,916	2,897
Retirement scheme contributions	116	89
Cost of properties sold	20,562	11,826
	<u>20,562</u>	<u>11,826</u>

	Six months ended	
	31 December	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(b) Finance costs		
Interest on bank loans and overdrafts		
wholly repayable within five years	18,888	22,522
Interest on advances from a related company	2,216	1,584
Interest on advances from a director	5,657	13,883
Other incidental borrowing costs	805	139
	<hr/>	<hr/>
Total borrowing costs	27,566	38,128
Less: Interest capitalised into investment properties and properties under development for sale	(11,675)	(26,015)
	<hr/>	<hr/>
	15,891	12,113
	<hr/> <hr/>	<hr/> <hr/>

5. TAXATION

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

The amount of taxation charged to the condensed consolidated income statement represents:

	Six months ended	
	31 December	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax	1,548	–
Deferred tax		
Origination of temporary differences	61,640	44,570
	<hr/>	<hr/>
	63,188	44,570
	<hr/> <hr/>	<hr/> <hr/>

6. DIVIDENDS

	Six months ended	
	31 December	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Final dividend of HK19 cents (2006: HK17 cents) per share	41,555	14,915
Proposed interim dividend of HK6 cents (2006: HK5.5 cents) per share	15,376	11,875
	56,931	26,790
	56,931	26,790

During the period, scrip dividend alternative was offered to shareholders in respect of 2007 final dividend. This alternative was accepted by shareholders as follows:

	Six months ended	
	31 December	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Dividends:		
Cash	11,729	13,297
Share alternative	29,826	1,618
	41,555	14,915
	41,555	14,915

An interim dividend in respect of 2008 of HK6 cents (2007: HK5.5 cents) per share amounting to approximately HK\$15,376,000 (2007: HK\$11,875,000) has been proposed by the board of directors after the balance sheet date. The proposed dividends is not reflected as dividend payable in the balance sheet, but will be reflected as an appropriation of retained profits in the year ending 30 June 2008.

7. EARNINGS PER SHARE

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

Earnings

	Six months ended 31 December	
	2007	2006
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to equity holders of the Company for the purpose of calculating basic and diluted earning per share	302,999	265,937
	<u><u>302,999</u></u>	<u><u>265,937</u></u>
Number of shares		
	At	At
	31 December	31 December
	2007	2006
	(Unaudited)	(Unaudited)
		(restated)
Weighted average number of ordinary shares for the purposes of basic earnings per share (<i>note</i>)	220,348,127	103,982,848
Effect of dilutive potential ordinary shares:		
Warrants	10,783,650	N/A
	<u>10,783,650</u>	<u>N/A</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	231,131,777	N/A
	<u><u>231,131,777</u></u>	<u><u>N/A</u></u>

Note: The weighted average number of ordinary shares in issue used in the basic earnings per share calculated for the period ended 31 December 2006 has been adjusted to reflect the bonus element of the rights issue after the balance sheet date.

Diluted earnings per share for the period ended 31 December 2006 has not been shown because there was no dilutive potential ordinary share in issue at the balance sheet date.

8. TRADE AND OTHER RECEIVABLES

	At 31 December 2007 (Unaudited) <i>HK\$'000</i>	At 30 June 2007 (Audited) <i>HK\$'000</i>
Trade receivables	720	436
Prepayments, deposits and other receivables	8,448	6,421
	<hr/> 9,168 <hr/> <hr/>	<hr/> 6,857 <hr/> <hr/>

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 2007 (Unaudited) <i>HK\$'000</i>	At 30 June 2007 (Audited) <i>HK\$'000</i>
0 – 30 days	397	298
31 – 60 days	115	36
61 – 90 days	39	22
Over 90 days	169	80
	<hr/> 720 <hr/> <hr/>	<hr/> 436 <hr/> <hr/>

9. TRADE AND OTHER PAYABLES

	At 31 December 2007 (Unaudited) <i>HK\$'000</i>	At 30 June 2007 (Audited) <i>HK\$'000</i>
Trade payables	940	1,081
Accrued charges and other payables	297,558	292,867
	<hr/> 298,498 <hr/> <hr/>	<hr/> 293,948 <hr/> <hr/>

The ageing analysis of the trade payables is as follows:

	At 31 December 2007 (Unaudited) <i>HK\$'000</i>	At 30 June 2007 (Audited) <i>HK\$'000</i>
0 – 30 days	41	164
31 – 60 days	41	41
61 – 90 days	41	41
Over 90 days	817	835
	<hr/> 940 <hr/> <hr/>	<hr/> 1,081 <hr/> <hr/>

10. SHARE CAPITAL

	Authorised		Issued and fully paid	
	<i>No. of shares</i>	<i>HK\$'000</i>	<i>No. of shares</i>	<i>HK\$'000</i>
At 1 July 2007 ordinary shares of HK\$0.10 each	10,000,000,000	1,000,000	217,845,565	21,785
Issue of shares pursuant to scrip dividend scheme (<i>note 1</i>)	–	–	4,970,944	497
Issue of shares by exercise of warrants (<i>note 2</i>)	–	–	866,771	87
At 31 December 2007	10,000,000,000	1,000,000	223,683,280	22,369

Notes:

- On 10 December 2007, the Company issued and allotted a total of 4,970,944 ordinary shares of HK\$0.10 each in the Company at HK\$6.00 to the shareholders who elected to receive shares in the Company in lieu of cash for the 2007 final dividend pursuant to the scrip dividend scheme announced by the Company on 14 November 2007. An amount of HK\$29,329,000 in excess of par value was credited to the share premium account. These shares rank *pari passu* with the existing shares of the Company in all respects.
- 2(a) On 8 February 2007, the Company passed a resolution to approve the issue of one warrant for every five existing shares of the Company held by the shareholders (“2009 Warrants”). On 12 February 2007, the Company issued 37,175,810 units of 2009 Warrants. The holders of 2009 Warrants are entitled to subscribe at any time during 12 February 2007 to 11 February 2009 for fully paid shares at initial subscription price of HK\$5 per share (subject to adjustment). Following the 2008 Warrants issue, the subscription price was adjusted to HK\$4.98 per share on 28 March 2007. During the period, 518,950 new shares of HK\$0.10 each were issued upon the exercise of 518,950 units of 2009 Warrants. As at 31 December 2007, 29,593,714 units of 2009 Warrants remained outstanding.

2(b) On 28 March 2007, the Company passed a resolution to approve the issue of one warrant for every twenty-two existing shares of the Company held by the shareholders ("2008 Warrants"). On 30 April 2007, the Company issued 9,814,296 units of 2008 Warrants. The holders of the 2008 Warrants are entitled to subscribe at any time during 30 April 2007 to 30 April 2008 for fully paid shares at an initial subscription price of HK\$5.5 per share (subject to adjustment). During the period, 347,821 new shares of HK\$0.10 each were issued upon the exercise of 347,821 units of 2008 Warrants. As at 31 December 2007, 9,435,172 units of 2008 Warrants remained outstanding.

11. CAPITAL COMMITMENTS

	At 31 December 2007 (Unaudited) HK\$'000	At 30 June 2007 (Audited) HK\$'000
Capital commitments in respect of properties under development outstanding not provided for in the condensed consolidated interim financial statements are as follows:		
Authorised but not contracted for	814,146	128,299
Contracted but not provided for	350,100	457,770
	<u>1,164,246</u>	<u>586,069</u>

12. PLEDGE OF ASSETS

At the balance sheet date, the Group's total bank overdrafts and borrowings of HK\$1,018,787,000 (30 June 2007: HK\$707,284,000) were secured by the following:

- (i) legal charges on certain of the Group's investment properties and certain of the Group's properties for sale with carrying values of HK\$2,959,188,000 (30 June 2007: HK\$3,238,675,000) and HK\$624,965,000 (30 June 2007: HK\$821,324,000), respectively;
- (ii) floating charge over all the assets and undertakings of certain subsidiaries;

- (iii) mortgages over the shares of certain subsidiaries; and
- (iv) assignments of sale proceeds, insurance proceeds, rental income and deposits arising from the tenancy agreements of certain properties.

13. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

		Six months ended	
		31 December	
		2007	2006
		(Unaudited)	(Unaudited)
<i>Note</i>		HK\$'000	<i>HK\$'000</i>
	Salaries and other short term employee benefits paid to key management personnel, including amounts paid to the Company's directors	2,089	1,409
	Interest paid to Cecil Chao & Associates Limited ("CCAL")	2,216	1,584
a			
	Interest paid to Dr. Chao Sze-Tsung Cecil	5,657	13,883
b			
	Fees paid to CCAL		
c			
	Architect and other professional service fees	3,644	12,749
	Rental income received from		
d			
	Yan Yin Company Limited ("Yan Yin")	30	30
	CCAL	453	453
	Administration fee received from		
e			
	Yan Yin	36	36
	CCAL	120	120
	Purchase of a wholly owned subsidiary from Dr. Chao Sze-Tsung Cecil	17,163	–
	Consideration paid for assignment of debt from Dr. Chao Sze-Tsung Cecil	22,642	–
		22,642	–

- (a) CCAL has provided unsecured advances, which have no fixed repayment term, to the Group at 1.8% (2006: 1.8%) above the Hong Kong dollars prime rate per annum. At 31 December 2007, the advances from CCAL amounted to HK\$40,000,000 (30 June 2007: HK\$67,000,000). CCAL has confirmed that they will not request repayment of these advances until such time as the Group is in a position to repay. Dr. Chao Sze-Tsung Cecil, is a director and beneficial owner of CCAL.
- (b) Dr. Chao Sze-Tsung Cecil has provided unsecured advances, which have no fixed repayment term to the Group at 1.8% (2006: 1.8%) above the Hong Kong dollars prime rate per annum. At 31 December 2007, the advances from Dr. Chao Sze-Tsung Cecil amounted to HK\$166,182,000 (30 June 2007: HK\$92,759,000). 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.
- (c) CCAL rendered architectural and related services to the Group on terms agreed between both parties.
- (d) Certain properties were leased to Yan Yin and CCAL as office premises on terms mutually agreed between both parties.
- (e) The Group charged administration fee to Yan Yin and CCAL for handling services rendered on terms agreed between both parties.

14. POST BALANCE SHEET EVENTS

On 11 January 2008, the directors proposed to the shareholders of the Company the rights issue for qualifying shareholders on the basis of one rights share for every seven existing shares held on 31 January 2008 at a price of HK\$5.60 per rights share. The rights shares were issued to the shareholders in March 2008. Details of the rights issue are set out in the prospectus issued by the Company dated 4 February 2008.

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, 2007.

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 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 31st December, 2007.

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.

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

At 31 December 2007, 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:

Ordinary shares of HK\$0.1 each

Name	Personal interest	Corporate interests
Cecil Sze-Tsung Chao	9,913,268	108,225,152

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 2007 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 period 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.

INTERIM DIVIDEND

The Directors resolved to recommend the payment of an interim dividend of 6 cents per share (2006: HK5.5 cents), an increment of 9.1% when comparing to last year. Based on the current number of issued shares, the total amount of interim dividend payable is HK\$15,376,000 which is 29.5% over last year.

Scrip Dividend option will be offered to shareholders.

CLOSURE OF REGISTER

The register of members of the Company will be closed from 11 April 2008 to 17 April 2008 (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, 17 Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on 10 April 2008.

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

Hong Kong, 27 March 2008