

Cypress Lakes Group Limited
ACN 003 621 136
Financial Statements
Half Year ended 31 December 2010

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CYPRESS LAKES GROUP LIMITED
ACN 003 621 136

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of Cypress Lakes Group Limited and the entities it controlled (collectively known as 'the Group') at the end of, or during, the half-year ended 31 December 2010.

Directors

The names of the directors in office at the time of this report are:

- Dato' Jaya JB Tan (Chairman)
- Dato' Kamal YP Tan
- Mr San Chuan Tan
- Mr Paul BC Wong
- Mr William FL Wong
- Mr Basil KS Jong

Principal Activities

The principal activities of the Group are owner and operator of Cypress Lakes Resort, Cypress Lakes Golf & Country Club, The Golden Door Health Retreat and Spas, as well as that of Holiday Inn Melbourne on Flinders.

The resort currently includes a championship golf course, villa hotel accommodation, conference facilities, restaurants, bars, a lounge and other sports and leisure facilities. The Golden Door Health Retreat and Spa provide health retreat programmes and day spa.

Results

The consolidated result of the group was a loss of \$2.55 million for the six months ended 31 December 2010 (31 December 2009: loss of \$2.54 million).

Dividends

No dividends were paid or recommended for the six months ended 31 December 2010 (31 December 2009: Nil).

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Review of Operations

Cypress Lakes Group Limited's operating businesses, namely Cypress Lakes Resort, The Golden Door Health Retreat and Spas and The Holiday Inn Melbourne on Flinders incurred a loss of \$2.55 million during the six months ended December 2010 as compared to a loss \$2.54 million during the previous corresponding half year.

Contrary to market prediction of a mild recovery in the tourism industry in 2010/2011, the Group experienced a lackluster performance in the leisure and MICE market for the 1st half of 2011 financial year. Despite the slow recovery in the tourism industry, the results are still disappointing. The loss was further aggravated by the uncertainties surrounding the continuation of the expired lease arrangement with the villa owners on TGD Elysia where business was interrupted for the entire month of December 2010. Moving forward, It is pleasing to know that the new leases with TGD Elysia villa owners will see a saving to the Group of approximately \$650,000.

Cypress Lakes Resort recorded an EBITDA loss of \$125,454 for the half year comparing to \$326,630 corresponding period 31 December 2009. The resort has taken steps to revamp its sales and marketing strategy couple with capital expenditure to capture the conference and incentive markets in preparation for the recovery of the tourism segment.

The Golden Door recorded an EBITDA loss of \$265,054 for the half year comparing to EBITDA positive of \$137,922 corresponding period 31 December 2009. The Golden Door trading performance has been impacted generally by the poor market sentiment in the health retreat sector and competitors offering huge discount on their program rate.

On a positive note, the Group city hotel business in Melbourne, Holiday Inn on Flinders which was acquired on 1 March 2010, contributed positively with an EBITDA of \$2.09 m for the half year ended December 2010 (December 2009 : Nil)

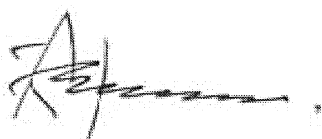
Auditor's Independence Declaration

A copy of the independence declaration by the lead auditor under section 307C is included on page 3 to these half-year financial statements.

Rounding of Amounts to the Nearest Thousand Dollars

The company satisfies the requirements of Class Order 98/0100 issued by the Australian Investments and Securities Commission relating to "rounding off" of amounts in the directors' report and the financial statements to the nearest thousand dollars. Amounts have been rounded off in the directors' report and financial statements in accordance with that Class Order.

This report is made in accordance with a resolution of the Board of Directors and is signed for and behalf of the directors by:



Dato' Jaya JB Tan

Director

Kuala Lumpur

31 January 2011



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DECLARATION OF INDEPENDENCE BY PAUL GALLAGHER TO THE DIRECTORS OF CYPRESS LAKES GROUP LIMITED

As lead auditor for the review of Cypress Lakes Group Limited for the half-year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Cypress Lakes Group Limited and the entities it controlled during the period.

P A Gallagher
Director

BDO Audit (QLD) Pty Ltd

Brisbane: 31 January 2011

CYPRESS LAKES GROUP LIMITED
ACN 003 621 136

Consolidated Statement of Comprehensive Income
for the Half-Year Ended 31 December 2010

	Consolidated Entity	
	Half-Year	
	2010	2009
	\$'000	\$'000
Revenue	20,035	14,366
Consumables	(1,505)	(1,462)
Employee benefits expense	(8,220)	(6,842)
Depreciation and amortisation expenses	(1,376)	(730)
Advertising and promotional expenses	(708)	(259)
Villa lease rental	(2,586)	(2,970)
Finance costs	(2,498)	(1,081)
Other operating expenses	(5,695)	(3,562)
	<hr/>	<hr/>
Loss before income tax expense	(2,553)	(2,540)
Income tax expense	-	-
	<hr/>	<hr/>
Net loss for the half-year	<u>(2,553)</u>	<u>(2,540)</u>
Other comprehensive income for the half-year, net of tax	-	-
	<hr/>	<hr/>
Total comprehensive loss for the half-year attributable to members of parent entity	<u>(2,553)</u>	<u>(2,540)</u>

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accounts notes.

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Consolidated Statement of Financial Position
as at 31 December 2010

Consolidated Entity

	Note	31 December 2010 \$'000	30 June 2010 \$'000
ASSETS			
Non-current assets			
Property, plant and equipment		78,267	77,500
Intangible assets		1,636	1,634
Deferred tax assets		63	63
Total non-current assets		79,966	79,197
Current assets			
Inventories		674	755
Trade and other receivables		3,660	3,309
Other assets		751	669
Cash and cash equivalents		129	1,071
Total current assets		5,214	5,804
Total assets		85,180	85,001
LIABILITIES			
Current Liabilities			
Trade and other payables		19,079	15,627
Other liabilities		5,144	5,817
Provision for employee entitlements		690	678
Borrowings		1,670	1,252
Total current liabilities		26,583	23,374
Non-current liabilities			
Provision for employee entitlements		305	322
Borrowings		59,841	60,301
Deferred tax liabilities		1,147	1,147
Total non-current liabilities		61,293	61,770
Total Liabilities		87,876	85,144
Net assets		(2,696)	(143)
EQUITY			
Issued capital	2	50,914	50,914
Reserves		3,579	3,579
Accumulated losses		(57,189)	(54,636)
Capital and reserves attributable to owners of Cypress Lakes Group Limited		(2,696)	(143)
Non-controlling interest			
Total equity		(2,696)	(143)

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CYPRESS LAKES GROUP LIMITED
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Consolidated Statement of Cash Flows
for the Half-Year Ended 31 December 2010

	Consolidated Entity	
	Half-Year	
	2010	2009
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	19,548	14,763
Payments to suppliers and employees	(17,304)	(15,118)
Interest received	5	9
Interest and other costs of finance paid	(1,951)	(662)
Net cash inflow/(outflow) from operating activities	<u>298</u>	<u>(1,008)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(1,871)	(539)
Proceeds from sale of equipment	103	25
Other investing cashflows	-	(2)
Net cash outflow from investing activities	<u>(1,768)</u>	<u>(516)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	(26)
Proceeds from borrowings	-	1,238
Repayment of borrowings	(514)	-
Receipts from related companies	1,042	-
Net cash inflow from financing activities	<u>528</u>	<u>1,212</u>
NET DECREASE IN CASH HELD	(942)	(312)
Net cash at beginning of period	1,071	657
NET CASH AT END OF PERIOD	<u>129</u>	<u>345</u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

CYPRESS LAKES GROUP LIMITED

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**Consolidated Statement of Changes in Equity
for the Half-Year Ended 31 December 2010**

	Issued capital	Accumulated	Asset	Debt	Total equity
	\$'000	losses	revaluation	compromise	\$'000
	\$'000	\$'000	reserve	reserve	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2009	40,942	(39,701)	2,834	375	4,450
Total comprehensive income for the half-year	-	(2,540)	-	-	(2,540)
Share buy back	(26)	-	-	-	(26)
At 31 December 2009	40,916	(42,241)	2,834	375	1,884
At 1 July 2010	50,914	(54,636)	3,204	375	(143)
Total comprehensive income for the half-year	-	(2,553)	-	-	(2,553)
At 31 December 2010	50,914	(57,189)	3,204	375	(2,696)

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CYPRESS LAKES GROUP LIMITED

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**Notes To The Consolidated Financial Statements
for the Half-Year Ended 31 December 2010**

Note 1. Basis of Preparation of Half-Year Financial Statements

(a) Statement of Accounting Policies

These general purpose financial statements for the half-year reporting period ended 31 December 2010 have been prepared in accordance with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The historical cost basis has been used, except for land and buildings which have been measured at fair value.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2010 and any public announcements made by Cypress Lakes Group Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The same accounting policies and methods of computation have generally been followed in these half-year financial statements as compared with the most recent annual financial statements.

(b) Going Concern

On a consolidated basis the Group recorded a loss of \$2.55 million for the half-year ended 31 December 2010 (Loss for the year ended 31 December 2009: \$2.54 million). As at 31 December 2010 the Group has a deficiency of current asset over current liabilities of \$21.4 million (30 June 2010 deficiency \$17.6 million). After adjusting for deferred income and advance deposits disclosed as current liabilities, the current liabilities exceeded the current assets by \$16.3 million (30 June 2010 deficiency \$11.8 million). As at 31 December 2010 the Group has a deficiency of total Assets over total liabilities of \$2.69 million (30 June 2010: deficiency \$0.14 million)

The ability of the consolidated entity to correct the deficits, maintain the carrying value of assets and continue to meet future financial commitments will depend on the Group's ability to derive projected future cashflows and profitability to pay its debts as and when they fall due. The ultimate parent entity of the Group has undertaken not to demand repayment of the amount owed to the ultimate parent entity until the Group's resources permit and the ultimate parent entity will support the Group's net assets deficit up to \$2.7 million as of 31 December 2010. For the next twelve (12) months, the Group has a cash flow budget which indicates that the Group is in a cash flow surplus.

In the Director's opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(c) Comparative Information

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

CYPRESS LAKES GROUP LIMITED
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Notes To The Consolidated Financial Statements
for the Half-Year Ended 31 December 2010

Note 2. Equity securities issued

	Half-Year		Half-Year	
	31 December	31 December	31 December	31 December
	2010	2009	2010	2009
	Shares	Shares	\$'000	\$'000
Issues of Ordinary Shares During the Half-Year				
Rights issue/(share buy back)	-	(5,005,875)	-	(26)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Note 3. Contingent liabilities

There have been no changes in contingent liabilities or contingent assets since the end of the previous annual reporting period, 30 June 2010.

Note 4. Rounding of amounts

The company satisfies the requirements of Class Order 98/0100 issued by the Australian Securities and Investments Commission relating to "rounding off" of amounts in the directors' report and the financial statements to the nearest thousand dollars. Amounts have been rounded off in the directors' report and financial statements in accordance with that Class Order.

Note 5. Subsequent events

Apart from the items disclosed elsewhere in these financial statements, there are no other matters or circumstances that have arisen since the end of the half year, which have significantly affected or may significantly affect the operations of the group, the results of those operations or the state of affairs of the group in the reporting periods subsequent to the half year ended 31 December 2010.

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Declaration by Directors

The Directors of the company declare that:

(a) The financial statements comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes to the accounts are in accordance with the Corporations Act 2001 and:

(i) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* ;
and

(ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date.

(b) In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and behalf of the directors by:



Dato' Jaya JB Tan

Director

Kuala Lumpur

31 January 2011



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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Cypress Lakes Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Cypress Lakes Group Limited, which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Cypress Lakes Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Cypress Lakes Group Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Cypress Lakes Group Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 1(b) in the half-year financial report which indicates that Cypress Lakes Group Limited incurred a loss of \$2.55 million during the half-year ended 31 December 2010 and, as of that date, the disclosing entity's current liabilities exceeded its current assets by \$21.4 million and its total liabilities exceeded its total assets by \$2.69 million.

Having regard to the consolidated entity's losses for the half-year ended 31 December 2010 and the net deficiency of assets as at 31 December 2010, the ability of the consolidated entity to correct the deficits, maintain the carrying value of assets and continue to meet future financial commitments will depend on the continued support of the bank, creditors and associated entities (to the extent described in Note 1 (b)), and the consolidated entity's ability to derive projected future cash flows and profitability. In the event the consolidated entity becomes unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities at amounts different from those currently stated in the financial report.

BDO Audit (QLD) Pty Ltd



Paul Gallagher

Director

Brisbane: 31 January 2011