



# DYNAMIC HOLDINGS LIMITED

## 達力集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 029)

### ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 30 JUNE 2006

#### RESULTS

The Board of Directors of Dynamic Holdings Limited (the “Company”) is pleased to announce that the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 30 June 2006 together with comparative figures for the previous year are as follows:

#### CONSOLIDATED INCOME STATEMENT

		Year ended 30 June	
		2006	2005
	Notes	HK\$'000	HK\$'000
<b>Turnover</b>	4	<b>171,469</b>	126,939
Cost of sales		<u>(124,299)</u>	<u>(78,585)</u>
Gross profit		<b>47,170</b>	48,354
Other income	6	<b>11,964</b>	4,510
Increase in fair value of investment properties		<b>132,000</b>	80,000
Expenses on disposal of investment properties		<b>(3,904)</b>	—
Administrative expenses		<b>(34,164)</b>	(26,483)
Finance costs	8	<b>(1,014)</b>	(783)
Gain on dissolution of a subsidiary		<u>—</u>	<u>1,640</u>
<b>Profit before taxation</b>		<b>152,052</b>	107,238
Taxation	9	<u><b>(20,597)</b></u>	<u>(12,561)</u>
<b>Profit for the year</b>		<u><b>131,455</b></u>	<u>94,677</u>
Attributable to:			
Equity holders of the parent		<b>130,160</b>	92,135
Minority interests		<u><b>1,295</b></u>	<u>2,542</u>
		<u><b>131,455</b></u>	<u>94,677</u>
Dividends	10	<u><b>41,630</b></u>	<u>8,764</u>
Basic earnings per share (Hong Kong cents)	11	<u><b>59.4</b></u>	<u>42.1</u>

# CONSOLIDATED BALANCE SHEET

		As at 30 June	
		2006	2005
	Notes	HK\$'000	HK\$'000
<b>Non-current Assets</b>			
Property, plant and equipment		13,987	12,475
Investment properties	12	—	500,000
Property interest		455,432	—
Properties held for development		225,654	219,848
Goodwill		—	—
Loan receivables — due after one year		<u>2,164</u>	<u>7,147</u>
		<u>697,237</u>	<u>739,470</u>
<b>Current Assets</b>			
Properties under development		—	248,774
Properties held for sale		398,561	150,088
Loan receivables — due within one year		6,052	8,167
Trade and other receivables	13	45,271	32,961
Amounts due from minority shareholders		5,322	5,035
Tax recoverable		12,563	14,949
Bank deposits — pledged		16,804	27,964
Bank balances and cash		<u>97,736</u>	<u>101,773</u>
		<u>582,309</u>	<u>589,711</u>
<b>Current Liabilities</b>			
Trade and other payables	14	79,374	102,484
Pre-sale deposits received		34,531	37,033
Amount due to a related company — due within one year		9,407	—
Tax liabilities		49,531	15,945
Bank loans — due within one year		<u>—</u>	<u>99,674</u>
		<u>172,843</u>	<u>255,136</u>
<b>Net Current Assets</b>		<u>409,466</u>	<u>334,575</u>
<b>Total Assets less Current Liabilities</b>		<u>1,106,703</u>	<u>1,074,045</u>
<b>Capital and Reserves</b>			
Share capital		219,104	219,104
Reserves		<u>807,523</u>	<u>612,027</u>
<b>Equity attributable to equity holders of the parent</b>		<u>1,026,627</u>	<u>831,131</u>
<b>Minority interests</b>		<u>34,865</u>	<u>30,688</u>
<b>Total Equity</b>		<u>1,061,492</u>	<u>861,819</u>

**Non-current Liabilities**

Bank loans — due after one year	—	123,500
Other payable — due after one year	—	493
Loan from a related company	—	68,620
Amount due to a related company — due after one year	17,490	—
Deferred tax liabilities	27,721	19,613
	<u>45,211</u>	<u>212,226</u>
	<u>1,106,703</u>	<u>1,074,045</u>

*Notes:*

# **1. Basis of preparation and application of Hong Kong financial reporting standards/changes in accounting policies**

The consolidated financial statements have been prepared under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair value.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

In the current year, the Group has applied, for the first time, a number of new HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (“INTs”) (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests has been changed. The application of the new HKFRSs has resulted in changes to the Group’s accounting policies in the following areas that have an effect on how the results for the current and/or prior accounting years are prepared and presented.

## ***Business Combinations***

In the current year, the Group has applied the transitional provisions of HKFRS 3 “Business Combinations” to goodwill acquired in business combinations for which the agreement date was before 1 January 2005. The principal effects of the application of transitional provisions of HKFRS 3 to the Group are summarised below:

### ***Goodwill***

In previous years, goodwill arising on acquisitions before 1 January 2005 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously capitalised on the balance sheet, the Group on 1 July 2005 eliminated the carrying amount of the related accumulated amortisation of HK\$13,704,000 with a corresponding decrease in the cost of goodwill. The goodwill was fully amortised prior to 1 July 2005 and is therefore not subject to further impairment test. Comparative figures for 2005 have not been restated. Goodwill arising on acquisition on or after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition.

***Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")***

In previous years, negative goodwill arising on acquisitions prior to 1 July 2001 was held in reserves. In accordance with the relevant transitional provisions in HKFRS 3, the Group derecognised all negative goodwill of HK\$1,538,000 on 1 July 2005, with a corresponding increase in the Group's retained profits.

***Financial Instruments***

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for accounting periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for the current and prior accounting periods. The principal effects resulting from the implementation of HKAS 39 are summarised below:

***Classification and measurement of financial assets and financial liabilities***

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

***Financial assets and financial liabilities other than debt and equity securities***

From 1 July 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of Statement of Standard Accounting Practice 24) in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method after initial recognition.

Upon applying HKAS 39, the Group calculated the imputed interest of interest free loan receivables. As a result, the carrying amount of the loan receivables has been decreased by HK\$1,328,000 on 1 July 2005. Corresponding adjustment has been made to the Group's retained profits and minority interests (see note 2 for financial impact).

**2. Summary of the effects of the changes in accounting policies**

The effects of the changes in the accounting policies described above on the results for the current and prior years are as follows:

	<b>Year ended 30 June</b>	
	<b>2006</b>	<b>2005</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Increase in imputed interest income on loan receivables included in other income — HKAS 39	<u>637</u>	<u>—</u>
Increase in profit for the year	<u><u>637</u></u>	<u><u>—</u></u>

The cumulative effects of the application of new HKFRSs as at 30 June 2005 and 1 July 2005 are summarised below:

	<b>As at 30 June 2005 (originally stated) HK\$'000</b>	<b>Adjustments on adoption of HKFRS 3      HKAS 39 HK\$'000      HK\$'000</b>		<b>As at 1 July 2005 (restated) HK\$'000</b>
Properties held for development	219,848	—	—	219,848
Loan receivables — due after one year	7,147	—	(529)	6,618
Loan receivables — due within one year	<u>8,167</u>	<u>—</u>	<u>(799)</u>	<u>7,368</u>
Total effects on assets and liabilities		<u>—</u>	<u>(1,328)</u>	
Retained profits	128,926	1,538	(1,262)	129,202
Negative goodwill	1,538	(1,538)	—	—
Minority interests	<u>—</u>	<u>—</u>	<u>(66)</u>	<u>30,622</u>
Total effects on equity		<u>—</u>	<u>(1,328)</u>	
Minority interests	<u>30,688</u>	<u>—</u>	<u>—</u>	<u>—</u>

The financial effects of the application of the new HKFRSs to the Group's equity on 1 July 2004 are summarised below:

	<b>As originally stated HK\$'000</b>	<b>Reclassification HKAS 1 HK\$'000</b>	<b>As restated HK\$'000</b>
Minority interests	<u>—</u>	<u>28,146</u>	<u>28,146</u>

### 3. Potential impact arising on the new or revised accounting standards not yet effective

The Group has not applied early the following new or revised standards, amendments and interpretations that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new or revised standards, amendments and interpretations which have not been applied early by the Group. Except for the impacts of HKAS 21 (Amendment) "Net investment in a foreign operation", which relates to inter-company loans which form part of net investment in a foreign operation, HKAS 39 & HKFRS 4 (Amendments) "Financial guarantee contracts", which requires recognition of financial guarantee at fair value on initial recognition, the Group anticipates that the applications of the other new or revised standards, amendments and interpretations would not have significant impact on the financial statements of the Group. The Group is in the midst of determining the impact of the amendments to HKAS 21 and HKAS 39.

HKAS 1 (Amendment)	Capital disclosures <sup>1</sup>
HKAS 21 (Amendment)	Net investment in a foreign operation <sup>2</sup>
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions <sup>2</sup>
HKAS 39 (Amendment)	The fair value option <sup>2</sup>
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts <sup>2</sup>

HKFRS 6	Exploration for and evaluation of mineral resources <sup>2</sup>
HKFRS 7	Financial instruments: Disclosures <sup>1</sup>
HK(IFRIC) — INT 4	Determining whether an arrangement contains a lease <sup>2</sup>
HK(IFRIC) — INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds <sup>2</sup>
HK(IFRIC) — INT 6	Liabilities arising from participating in a specific market — waste electrical and electronic equipment <sup>3</sup>
HK(IFRIC) — INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies <sup>4</sup>
HK(IFRIC) — INT 8	Scope of HKFRS 2 <sup>5</sup>
HK(IFRIC) — INT 9	Reassessment of embedded derivatives <sup>6</sup>
HK(IFRIC) — INT 10	Interim Financial Reporting and Impairment <sup>7</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2007.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2006.

<sup>3</sup> Effective for annual periods beginning on or after 1 December 2005.

<sup>4</sup> Effective for annual periods beginning on or after 1 March 2006.

<sup>5</sup> Effective for annual periods beginning on or after 1 May 2006.

<sup>6</sup> Effective for annual periods beginning on or after 1 June 2006.

<sup>7</sup> Effective for annual periods beginning on or after 1 November 2006.

#### **4. Turnover**

Turnover represents the aggregate of gross proceeds from sales of properties, gross property rental income and gross income from the operations of the port during the year.

#### **5. Business and geographical segments**

##### *Business segments*

For management purposes, the Group is currently organised into three operating divisions — property sales, property rental and port operations. These principal operating activities are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Property sales	—	sales of properties developed by the Group
Property rental	—	leasing of investment properties
Port operations	—	operations of the port

Segment information about these businesses is presented below:

	Property sales		Property rental		Port operations		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>TURNOVER</b>								
External sales	<u>139,187</u>	<u>76,468</u>	<u>14,187</u>	<u>30,562</u>	<u>18,095</u>	<u>19,909</u>	<u>171,469</u>	<u>126,939</u>
<b>SEGMENT RESULT</b>	<u>23,685</u>	<u>4,661</u>	<u>143,429</u>	<u>108,119</u>	<u>1,078</u>	<u>6,164</u>	<u>168,192</u>	<u>118,944</u>
Unallocated other income							1,628	3
Unallocated corporate expenses							(16,754)	(12,566)
Finance costs							(1,014)	(783)
Gain on dissolution of a subsidiary							—	1,640
Profit before taxation							152,052	107,238
Taxation							(20,597)	(12,561)
Profit for the year							<u>131,455</u>	<u>94,677</u>
<b>BALANCE SHEET</b>								
	Property sales		Property rental		Port operations		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>ASSETS</b>								
Segment assets	493,855	548,454	487,327	500,837	267,455	258,575	1,248,637	1,307,866
Unallocated corporate assets							<u>30,909</u>	<u>21,315</u>
Consolidated total assets							<u>1,279,546</u>	<u>1,329,181</u>
<b>LIABILITIES</b>								
Segment liabilities	93,017	108,265	27,206	8,648	14,359	13,674	134,582	130,587
Bank loans							—	223,174
Loan from a related company							—	68,620
Unallocated corporate liabilities							<u>83,472</u>	<u>44,981</u>
Consolidated total liabilities							<u>218,054</u>	<u>467,362</u>

## OTHER INFORMATION

	Property sales		Property rental		Port operations		Unallocated		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital expenditures	1,786	123	456,816	—	1,878	6,137	795	24	461,275	6,284
Depreciation	355	409	—	—	1,270	1,152	155	32	1,780	1,593
Allowance for doubtful debts	—	32	—	167	24	2	—	452	24	653
Amortisation of goodwill	—	161	—	—	—	—	—	—	—	161
Increase in fair value of investment properties	—	—	132,000	80,000	—	—	—	—	132,000	80,000

### Geographical segments

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Turnover by geographical market		Profit before taxation	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong Special Administrative Region ("Hong Kong")	14,187	30,562	143,429	108,119
Other regions in the People's Republic of China ("PRC")	157,282	96,377	24,763	10,825
	171,469	126,939	168,192	118,944
Unallocated other income			1,628	3
Unallocated corporate expenses			(16,754)	(12,566)
Finance costs			(1,014)	(783)
Gain on dissolution of a subsidiary			—	1,640
Profit before taxation			152,052	107,238

The following is an analysis of the carrying amount of segment assets and properties held for development, additions to property, plant and equipment, additions to property interest analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Carrying amount of properties held for development		Additions to property, plant and equipment		Additions to property interest	
	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	40,561	507,203	—	—	799	24	—	—
PRC	1,226,422	807,029	225,654	219,848	2,103	697	456,816	—
	1,266,983	1,314,232	225,654	219,848	2,902	721	456,816	—
Unallocated assets	12,563	14,949						
	1,279,546	1,329,181						

## 6. Other income

	Year ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Bank interest income	5,432	1,366
Exchange gain	49	—
Imputed interest income on loan receivables	637	—
Sundry income	<u>5,846</u>	<u>3,144</u>
	<u><b>11,964</b></u>	<u><b>4,510</b></u>

## 7. Depreciation and amortization

	Year ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:		
Amortisation of goodwill (included in administrative expenses)	—	161
Amortisation of prepaid lease payments	3,077	3,014
Less: Amount capitalised and included in properties held for development	<u>(1,037)</u>	<u>(3,014)</u>
	<u><b>2,040</b></u>	<u><b>—</b></u>
Depreciation	1,780	1,593
Less: Amount capitalised and included in properties under development	<u>(59)</u>	<u>(15)</u>
	<u><b>1,721</b></u>	<u><b>1,578</b></u>

## 8. Finance costs

	Year ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Interest on bank borrowings wholly repayable within five years	3,328	3,541
Less: Amount capitalised and included in properties under development by applying a capitalisation rate of 6.5% (2005: 5.2%) to expenditure on qualifying assets	<u>(3,259)</u>	<u>(2,758)</u>
Interest on loan from a related company wholly repayable within five years	1,281	3,851
Less: Amount capitalised and included in properties held for development by applying a capitalisation rate of 6.0% (2005: 4.4%) to expenditure on qualifying assets	<u>(721)</u>	<u>(3,851)</u>
Imputed interest expense on amount due to a related company	<u>385</u>	<u>—</u>
	<u><b>1,014</b></u>	<u><b>783</b></u>

## 9. Taxation

**Year ended 30 June**  
**2006**                      **2005**  
**HK\$'000**                      **HK\$'000**

The tax charge comprises:

Hong Kong Profits Tax		
Current year	22,377	83
Overprovision in prior years	(1)	(3)
Income tax of other regions in the PRC		
Current year	20,903	4,509
Overprovision in prior years	(3,069)	(3,686)
Deferred tax liabilities	<u>(19,613)</u>	<u>11,658</u>
	<u><b>20,597</b></u>	<u><b>12,561</b></u>

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits for the year.

PRC Foreign Enterprise Income Tax ("FEIT") and land appreciation tax ("LAT") are calculated at the rates prevailing in the PRC. The statutory rate of the FEIT is 33% (2005: 33%). Pursuant to relevant laws and regulations in the PRC, the subsidiary of the Group that is qualified as productive foreign investment enterprises established in cities within the coastal economic zones and special economic zones are entitled to PRC enterprise income tax at concessionary rate at 15%. LAT is charged at ranging 0.5% to 1% on the application appreciation value.

## 10. Dividends

**Year ended 30 June**  
**2006**                      **2005**  
**HK\$'000**                      **HK\$'000**

Special dividend paid in respect of year ended 30 June 2006 of 15 Hong Kong cents (2005: nil) per share	32,866	—
Interim dividend paid in respect of year ended 30 June 2006 of 2 Hong Kong cents (2005: 2 Hong Kong cents) per share	4,382	4,382
Final dividend paid in respect of year ended 30 June 2005 of 2 Hong Kong cents (2004: 2 Hong Kong cents) per share	<u>4,382</u>	<u>4,382</u>
	<u><b>41,630</b></u>	<u><b>8,764</b></u>

## 11. Basic earnings per share

The calculation of basic earnings per share attributable to equity holders of the parent is based on profit attributable to equity holders of the parent of HK\$130,160,000 (2005: HK\$92,135,000) for the year and on 219,103,681 (2005: 219,103,681) ordinary shares in issue throughout the year.

## 12. Investment properties

*HK\$'000*

FAIR VALUE	
At 1 July 2004	420,000
Increase in fair value	<u>80,000</u>
At 30 June 2005	500,000
Increase in fair value	132,000
Disposal	<u>(632,000)</u>
At 30 June 2006	<u><u>—</u></u>

The investment properties was situated in Hong Kong and held under medium-term leases. During the year, the Group disposed of all of its investment properties. As reflected by the disposal to an independent purchaser, the fair value of the investment properties upon disposal was the proceeds arising from the disposal transaction. The gain arising from increase in fair value of HK\$132,000,000 has been credited to the consolidated income statement for the year ended 30 June 2006.

The investment properties were rented out under operating leases before they were disposed of.

### 13. Trade and other receivables

At 30th June, 2006, the balance of trade and other receivables included trade receivables of HK\$2,823,000 (2005: HK\$1,413,000) and other receivables from home buyers who defaulted repayment to banks of HK\$30,979,000 (2005: HK\$21,626,000). For property sales, other than home loans, the Group allows an average credit period of 30 days to its customers. Rentals receivable from tenants and service income receivables from customers are payable on presentation of invoices. The aged analysis of trade receivables is as follows:

	<b>As at 30 June</b>	
	<b>2006</b>	<b>2005</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
0 — 60 days	<b>2,823</b>	1,268
61 — 90 days	—	79
Over 90 days	—	66
	<b><u>2,823</u></b>	<b><u>1,413</u></b>

### 14. Trade and other payables

At 30 June 2006, the balance of trade and other payables included trade payables of HK\$41,635,000 (2005: HK\$59,090,000). The aged analysis of trade payables is as follows:

	<b>As at 30 June</b>	
	<b>2006</b>	<b>2005</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
0 — 60 days	<b>31,773</b>	35,929
61 — 90 days	<b>519</b>	10,350
Over 90 days	<b><u>9,343</u></b>	<b><u>12,811</u></b>
	<b><u>41,635</u></b>	<b><u>59,090</u></b>

## RESULTS REVIEW

For the year ended 30 June 2006, the turnover of the Group amounted to HK\$171,469,000 showing an increase of 35% as compared with HK\$126,939,000 for the previous year. It is primarily attributable to the booking of sales of Phase III of Chaoyang Garden in Beijing during the year. Despite reduced rental receipts following the disposal of Dynamic Cargo Centre and lower profit from port operations, the gross profit for the year was HK\$47,170,000 — a slight drop of about 2% as compared with the previous year.

The disposal of the Group's cargo centre at a cash consideration of HK\$632,000,000 realised a capital gain of HK\$128,096,000. This, together with property sales and rental revenue produced an aggregate profit of HK\$130,160,000 attributable to shareholders of the Company for the year, representing an increase of 41% from HK\$92,135,000 of the previous year. Earnings per share for the year were HK\$0.594 as compared with HK\$0.421 in the previous year.

## **BUSINESS REVIEW**

### **Beijing**

During the year under review, the construction of Phase III of Chaoyang Garden, was completed. To date, about 66% of commercial apartments known as “Inspiring Space” had been sold and delivered to buyers. The turnover of HK\$139,187,000, had been duly accounted for in the income statement of the year.

Leasing of space at the shopping mall known as “Uptown” had commenced in the first quarter of 2006 and the result was satisfactory. So far, about 76% of leasable floor area had been let to retailers including some well-known international brands.

### **Hong Kong**

During the year, the Group disposed of its investment properties known as Dynamic Cargo Centre for a total cash consideration of HK\$632,000,000 and realised a capital gain of HK\$128,096,000. Details of the disposal were provided in a circular of the Company dated 31 October 2005 sent to all the shareholders. The disposal paved the way for the strategic move to re-align the Group’s investment in favour of higher-yield RMB based assets.

### **Shanghai**

As a step of the strategic investment move, the Group acquired during the year, from a connected parties, 182 high quality office units with a total gross area of 30,188 square metres in an office/commercial/hotel complex in Pudong, known as Eton Place for a sum of HK\$728,000,000. The acquisition is subject to the vendor’s gross rental guarantee yield of 8% per annum for three years from date of delivery. Details of the transactions were disclosed in a circular of the Company dated 24 February 2006 sent to all the shareholders. The acquisition was completed in March 2006 upon shareholders’ approval.

### **Shenzhen**

Revenues from port operations in Tung Kok Tau in Shekou were lower in the year as the Group started to phase out the port operations to prepare the site for redevelopment. The Group believes that its new redevelopment plan for Tung Kok Tau will be in harmony with the replanning by the city authorities which will enhance its economic value.

Meanwhile, the Group has lodged a petition for international arbitration with the aim to settle conclusively the protracted disputes over the equity interests with the Chinese joint venture partner. It is currently expected that the initial hearing will be held around early part of 2007.

## **FINANCIAL REVIEW**

The financial position of the Group remains sound and liquid, and its financing and treasury policies are managed and controlled at the corporate level and prudent manner. At 30 June 2006, the equity attributable to shareholders amounted to HK\$1,026,627,000 (2005: HK\$831,131,000) with net asset value per share of HK\$4.69 (2005: HK\$3.79). There was neither secured nor unsecured borrowings of the Group (2005: HK\$291,794,000) as at 30 June 2006 with no gearing (2005: 35%) based on the debt of the Group to its shareholders’ equity. With sufficient cashflow in the year, the Group maintained un-utilised credit facilities of HK\$11,000,000 (2005: HK\$221,624,800) as working capital at floating interest rate as at 30 June 2006, with credit facilities of HK\$400,000,000 to be granted by the banks to the Group for financing acquisition of office properties in Shanghai.

As at 30 June 2006, the Group pledged certain of its bank deposits amounting to HK\$16,804,000 (2005: HK\$27,964,000) to banks to secure mortgage bank loans granted to the homebuyers of Chaoyang Garden in Beijing. As at balance sheet date, the contingent liabilities of the Company for guarantee given to financial institution in respect of banking facilities granted to the Group amounted to HK\$11,000,000 (2005: HK\$334,674,000). In addition, the Group has given guarantees in respect of mortgage loans provided by banks to the home buyers of Chaoyang Garden in Beijing. At 30 June 2006, the Group had a maximum amount of mortgage loans which were subject to these guarantees of HK\$402,216,000 (2005: HK\$643,533,000). In addition, the claim against a subsidiary of the Group for the amount of about HK\$14,879,000 (2005: HK\$14,879,000) was vacated during the year.

During the year, sufficient cashflow was generated by sales proceeds of Chaoyang Garden/The Sun Crest, sales proceeds and rental income of Dynamic Cargo Centre and revenue of port operations. As at 30 June 2006, the Group's bank balances and cash stood at HK\$97,736,000 (2005: HK\$101,773,000) denominated in Renminbi, Hong Kong dollars and United States dollars. No significant exposure to foreign currency fluctuations affected the Group in the year under review.

The funding requirements for redevelopment of Tung Kok Tau are intended to be financed by internal resources, bank borrowings and such other means of financing as the Directors may deem expedient.

## **PROSPECTS**

### **Beijing**

As Beijing approaches the 2008 Olympic Game, the strong growth of the mainland economy continues to raise disposable income. Sustained investor confidence and inflow of capital, lead to a buoyant market sentiment. Demands for retail space commercial apartments are expected to grow. Phase III of Chaoyang Garden, will become a new hive of activities in the Chaoyang District.

### **Shanghai**

Demand for prime office premises in Shanghai remains robust. In September 2006, the whole lot of 182 high quality office units of West Tower of Eton Place was delivered. Located on the bank of the Huangpu River and adjacent to the Lujiazui financial district in Pudong, it is now one of the prime investment of the Group in China. Over the next three years, the guaranteed gross rental yield of 8% per annum will contribute a steady source of income. We believe however that rental earning can improve once the property is fully let.

### **Shenzhen**

Momentum for home buying in Shenzhen continues to be strong amid the city's solid economic growth despite market cooling measures taken by the authorities. The impending completion of the Western Corridor link between Hong Kong and Shenzhen will transform Tung Kok Tau into a new focal residential/commercial district, which will enhance economic value of the re-development of Tung Kok Tau.

## **DIVIDENDS**

The Directors recommend the payment of a final dividend of 3 Hong Kong cents per share to the shareholders of the Company whose names appear on the register of members on 22 December 2006. A special dividend of 15 Hong Kong cents per share and an interim dividend of 2 Hong Kong cents per share were paid to the shareholders of the Company during the year which, in aggregate, gives total dividends for the year of 20 Hong Kong cents per share. Subject to approval of shareholders at the forthcoming annual general meeting of the Company, the warrants for the final dividend are expected to be dispatched to those entitled on or above 17 January 2007.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, 18 December 2006 to Friday, 22 December 2006, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Tengis Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 15 December 2006.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE**

The Company has complied throughout the year ended 30 June 2006 with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

## **AUDIT COMMITTEE**

The annual results for the year have been reviewed by the Audit Committee of the Company. The Group's consolidated financial statements have been audited by the Company's auditors, Deloitte Touche Tohmatsu, and they have issued an unqualified opinion.

## **PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE**

All the financial and other related information of the Company required by Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange in due course.

## **APPRECIATION**

During the year, Mr. PANG Kit Man, John resigned as Chief Executive Officer and Executive Director of the Company after having been with the Group for 12 years. The Board of Directors would like to express its sincere gratitude to him for his valuable contributions to the Group.

By Order of the Board  
**CHAN Wing Kit, Frank**  
*Chief Executive Officer*

Hong Kong, 24 October 2006

*As at the date of the announcement, the Board of Directors of the Company comprises Mr. CHUA Domingo, Dr. CHAN Wing Kit, Frank, Mr. TANENGLIAN Mariano Chua, Mr. TAN Lucio Jr. Khao and Mr. CHEUNG Chi Ming and Mr. PASCUAL Ramon Sy as Executive Directors; and Mr. CHONG Kim Chan, Kenneth, Mr. SY Robin and Mr. MAK Kwai Wing, Alexander as Independent Non-Executive Directors.*