



INTERIM REPORT
2005-2006
中 期 報 告

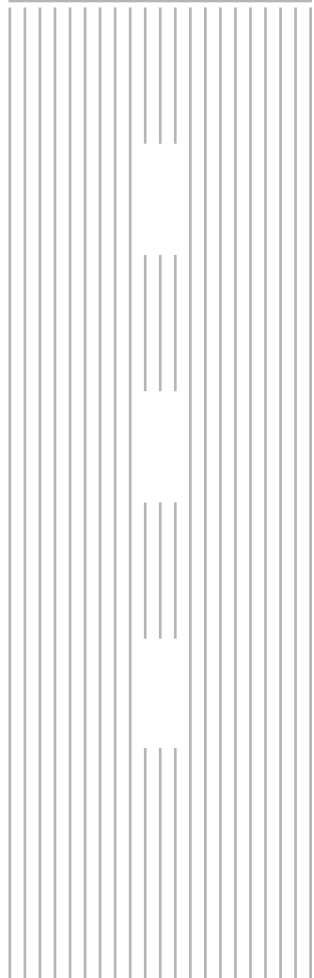


DYNAMIC HOLDINGS LIMITED

達力集團有限公司

(Incorporated in Bermuda with limited liability)

Stock Code : 29





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Corporate Information

DIRECTORS

Executive Directors

CHUA Domingo, *Chairman*

PANG Kit Man, John,

Chief Executive Officer

TANENGLIAN Mariano Chua

TAN Lucio Jr. Khao

CHEUNG Chi Ming

Independent Non-executive Directors

CHONG Kim Chan, Kenneth

SY Robin

MAK Kwai Wing, Alexander

AUDIT COMMITTEE

CHONG Kim Chan, Kenneth,

Chairman

SY Robin

MAK Kwai Wing, Alexander

REMUNERATION COMMITTEE

CHUA Domingo

PANG Kit Man, John

CHONG Kim Chan, Kenneth

SY Robin

MAK Kwai Wing, Alexander

COMPANY SECRETARY/ QUALIFIED ACCOUNTANT

WONG Oi Yee, Polly

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Deacons

Appleby Spurling Hunter

PRINCIPAL BANKERS

Hang Seng Bank Limited

China Minsheng Banking Corp., Ltd.

Bank of China

Bank of Communications

China Merchants Bank

REGISTERED OFFICE

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

PRINCIPAL PLACE OF BUSINESS

17th Floor, Eton Tower

8 Hysan Avenue

Causeway Bay

Hong Kong

SHARE REGISTRARS

Principal Share Registrars

Butterfield Fund Services (Bermuda)

Limited

Rosebank Centre

11 Bermudiana Road

Pembroke

Bermuda

Branch Share Registrars

Tengis Limited

26th Floor, Tesbury Centre

28 Queen's Road East, Wanchai

Hong Kong

REPRESENTATIVE OFFICE IN SHENZHEN

Room 3601, Pang Lin Plaza

2002 Jia Bin Road

Luohu District, Shenzhen

The People's Republic of China

STOCK CODE

029

WEBSITES

<http://www.dynamic.hk>

<http://www.thesuncrest.com>

Management Statement

The Directors hereby present their management statement and the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 31st December, 2005.

INTERIM RESULTS

For the six months ended 31st December, 2005, the turnover of the Group increased by about 30% to HK\$107,992,000 after taking into account the sales proceeds of Phase III of Chaoyang Garden in Beijing. The Group’s gross profit rose by about 36%, to HK\$32,336,000 for the period.

During the period under review, the Group disposed of its cargo centre, realizing a capital gain of HK\$126,000,000 boosting the Group’s total profit for the period to HK\$143,796,000 and earnings per share to HK\$0.64, as compared to HK\$13,096,000 and HK\$0.055 respectively for the last corresponding period.

SEGMENTAL INFORMATION

Details of the segmental information of the Group’s turnover and profit by principal activity and geographical location of operations for the period are set out in note 4 to the condensed consolidated financial statements.

INTERIM DIVIDEND

The Directors have declared an interim dividend of 2 Hong Kong cents (2004: 2 Hong Kong cents) per share for the six months ended 31st December, 2005 to all shareholders whose names appear on the register of members of the Company on 21st April, 2006. The dividend warrants are expected to be despatched to those entitled on or about 4th May, 2006.

BUSINESS REVIEW

Chaoyang Garden

Construction of Phase III of Chaoyang Garden was completed on schedule in September 2005 and delivered to the buyers. So far about 59% of its commercial apartments is taken up and sold. Leasing activities of the podium shopping mall, have started.

Dynamic Cargo Centre

On 4th October, 2005, the Group disposed of its cargo centre for a cash consideration of HK\$650,000,000, subject to a deduction of HK\$18,000,000 as a lump sum rental guarantee to the purchaser. A capital gain of HK\$126,000,000 was realized on the disposal, details of which were disclosed in an announcement made by the Group on 4th October, 2005.

Tung Kok Tau

The port operations in Tung Kok Tau has made a small profit contribution of HK\$6,191,000 to the Group during the period.

FINANCIAL REVIEW

The financial position of the Group remains sound and liquid. At 31st December, 2005, the equity attributable to equity holders of the Company amounted to HK\$972,949,000 (30th June, 2005: HK\$831,131,000) with net asset value per share of HK\$4.44 (30th June, 2005: HK\$3.79). Total borrowings of the Group, both secured and unsecured, were about HK\$79,499,000 (30th June, 2005: HK\$291,794,000) as at 31st December, 2005, which were in Hong Kong dollars, Renminbi and United States dollars and repayable within five years at an average interest rate of about 6.19% (30th June, 2005: 4.88%) per annum. As at 31st December, 2005, the gearing ratio of the Group was about 8% (30th June, 2005: 35%) based on the Group's total borrowings to its equity attributable to equity holders of the Company. The extent of credit facilities unutilised by the Group as at 31st December, 2005 amounted to HK\$178,337,800 (30th June, 2005: HK\$221,624,800), of which HK\$10,000,000 (30th June, 2005: HK\$111,500,000) was banking facilities and HK\$168,337,800 (30th June, 2005: HK\$110,124,800) was a credit facility provided by a related company.

As at 31st December, 2005, the Group pledged certain of its assets to financial institutions as security against general banking facilities granted to the Group, and also pledged its bank deposits of HK\$21,027,000 (30th June, 2005: HK\$27,964,000) to banks to secure mortgage bank loans granted to the home buyers. The contingent liabilities of the Company for guarantees given to financial institutions in respect of banking facilities granted to the Group amounted to HK\$79,126,000 (30th June, 2005: HK\$334,674,000). In addition,

the Group and the Company have given guarantees in respect of mortgage loans provided by banks to the home buyers of a property project in the People's Republic of China. At 31st December, 2005, the Group and the Company had a maximum amount of mortgage loans which were subject to these guarantees of HK\$626,360,000 (30th June, 2005: HK\$643,533,000) and HK\$38,763,000 (30th June, 2005: HK\$38,858,000) respectively.

And there was a claim against a subsidiary of the Group in the amount of about HK\$14,879,000 (30th June, 2005: HK\$14,879,000), but the subsidiary and its legal counsel are strongly resisting this claim and a counterclaim of about HK\$49,309,000 (30th June, 2005: HK\$49,309,000) has been lodged against the plaintiff.

In the period, 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 31st December, 2005, the Group's bank balances and cash stood at HK\$507,186,000 (30th June, 2005: HK\$101,773,000) denominated primarily in Renminbi yuans and Hong Kong dollars. No significant exposure to foreign currency fluctuations affected the Group in the period under review. The funding requirements for development projects of Chaoyang Garden, acquisition of office area in West Tower of Eton Place and 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.

EMPLOYEES

At 31st December, 2005, the Group had about 150 employees in Hong Kong and the Mainland China at prevailing market remunerations with employee benefits such as medical insurance, provident fund schemes and share option scheme.

PROSPECTS

Beijing

It is expected that the sales of commercial apartments of Phase III will meet targets. So far, about 40% of the four-storey podium shopping mall has been leased. Grand opening of the mall is scheduled to take place in the third quarter of this year.

Shanghai

On 6th January, 2006, the Group announced its proposed acquisition of a block of 182 office units in Shanghai, Pudong from connected parties for a total consideration of HK\$728 millions. Details of the proposed transaction were set out in a circular dated 24th February, 2006 sent to all the shareholders of the Company. The acquisition was duly approved by the independent shareholders at a special general meeting of the Company held on 13th March, 2006.

With the disposal of the cargo centre and the subsequent acquisition of the Shanghai office block, the Group has completed a strategic swap of its major investment property to a higher-yield RMB based asset. Measures taken by the Central Government to cool down the speculative residential market in Shanghai has had little or no effect on the commercial segment. Office rental continues to climb at a fast pace. With the inevitable appreciation of the RMB, the Group's investment in Shanghai is expected to generate a better short-term rental yield as well as a longer term capital appreciation.

Tung Kok Tau

The Western Corridor, the bridge linking Hong Kong and Tung Kok Tau will become operational by the end of this year, which together with the scheduled relocation of the neighboring oil and gas depot, will enhance the overall redevelopment of the Tung Kok Tau site currently under replanning by the city planning authorities. As the premium of the land in question has been fully paid for and the land itself has appreciated in value, the Group will have no difficulties in funding the development with its internal resources and banking facilities.

The Group has just lodged a petition for international arbitration which will effectively set a date to end the protracted negotiations with the Chinese partner. In the meantime, talks are continuing with the Chinese partner with a view to reaching an earlier settlement.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 18th April, 2006 to Friday, 21st April, 2006, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 13th April, 2006.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31st December, 2005, the interests of the Directors, the chief executive(s) and their associates in the shares of the Company (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be maintained under Section 352 of the SFO were as follows:

Name of Director	Number of issued ordinary shares held (long position)		Percentage of the issued share capital of the Company
	Personal interests	Corporate interests	
Mr. CHUA Domingo (<i>Note</i>)	4,000,000	89,321,279	42.59%
Mr. PANG Kit Man, John	1,302,000	—	0.59%

Note: The corporate interests of Mr. CHUA Domingo were held through Dynamic Development Corporation. Dynamic Development Corporation is wholly-owned by Carnation Investments Inc. of which Mr. CHUA Domingo is the sole shareholder and director.

Save as disclosed above, none of the Directors or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO as at 31st

December, 2005; or were required, pursuant to Model Code for Securities Transactions by Directors of the Listed Companies, to be notified to the Company and The Stock Exchange of Hong Kong Limited.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2005, the interests of substantial shareholders (other than a Director of the Company) in the shares of the Company as recorded in the register as required to be kept under Section 336 of the SFO were as follows:

Name of shareholder	Number of issued ordinary shares held (long position)	Percentage of the issued share capital of the Company
Plus Holdings Limited (<i>Note</i>)	13,152,000	6%

Note: The interests of Plus Holdings Limited were held through Telecom Plus Investment Limited, its wholly-owned subsidiary.

Other than as disclosed above and the interests disclosed in the Directors' interests in shares in respect of Mr. CHUA Domingo, the Company has not been notified of any other interests or short position and underlying shares of the Company as required to be recorded in the register under Section 336 of the SFO as at 31st December, 2005.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the code provisions in the Code of Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of the Directors of the Company, all the Directors confirmed that they had complied with the required standards of dealings as set out therein during the six months ended 31st December, 2005.

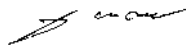
PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with the management the accounting practices and principles adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of these unaudited interim report for the six months ended 31st December, 2005.

By Order of the Board



PANG Kit Man, John
Director and Chief Executive Officer

Hong Kong, 28th March, 2006

Condensed Consolidated Income Statement

For the six months ended 31st December, 2005

	Notes	Unaudited Six months ended 31st December,	
		2005 HK\$'000	2004 HK\$'000
Turnover	4	107,992	82,876
Cost of sales		(75,656)	(59,074)
Gross profit		32,336	23,802
Other income	5	10,440	2,268
Gain on disposal of investment properties		126,000	—
Administrative expenses	6	(14,380)	(11,195)
Finance costs	7	(2,529)	(71)
Profit before taxation		151,867	14,804
Taxation	8	(8,071)	(1,708)
Profit for the period		143,796	13,096
Attributable to:			
Equity holders of the Company		140,324	12,078
Minority interests		3,472	1,018
		143,796	13,096
Dividend	9	4,382	4,382
Basic earnings per share (<i>HK cents</i>)	10	64.04	5.51

Condensed Consolidated Balance Sheet

At 31st December, 2005

	Notes	Unaudited At 31st December, 2005 HK\$'000	Audited At 30th June, 2005 HK\$'000
			<i>(As restated)</i>
Non-current Assets			
Property, plant and equipment		13,830	12,475
Investment properties		—	500,000
Properties held for development		225,346	219,848
Loan receivables — due after one year		4,461	7,147
		243,637	739,470
Current Assets			
Properties under development		—	248,774
Properties held for sale		426,382	150,088
Loan receivables — due within one year		6,661	8,167
Trade and other receivables	11	35,889	32,961
Amounts due from minority shareholders		5,211	5,035
Taxation recoverable		14,345	14,949
Bank deposits — pledged		21,027	27,964
Bank balances and cash		507,186	101,773
		1,016,701	589,711
Current Liabilities			
Trade and other payables	12	122,754	118,346
Pre-sale deposits received		27,355	37,033
Taxation payable		22,960	83
Bank loans — due within one year	13	69,126	99,674
		242,195	255,136
Net Current Assets		774,506	334,575
Total Assets less Current Liabilities		1,018,143	1,074,045

Condensed Consolidated Balance Sheet (Continued)

At 31st December, 2005

		Unaudited At 31st December, 2005 HK\$'000	Audited At 30th June, 2005 HK\$'000
	<i>Notes</i>		<i>(As restated)</i>
Non-current Liabilities			
Bank loans — due after one year	13	—	123,500
Other payable — due after one year		—	493
Loan from a related company		10,373	68,620
Deferred tax liabilities		—	19,613
		10,373	212,226
Total Assets and Liabilities			
		1,007,770	861,819
Capital and Reserves			
Share capital	14	219,104	219,104
Other reserves		487,062	483,101
Retained profits		266,783	128,926
Equity attributable to equity holders of the Company			
		972,949	831,131
Minority Interests			
		34,821	30,688
Total Equity			
		1,007,770	861,819

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31st December, 2005

	Share capital	Share premium	Special reserve	Negative goodwill	Capital redemption reserve	Translation reserve	Statutory reserve	Retained profits	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 30th June, 2004 (audited)	219,104	426,608	55,018	3,178	1,644	(2,428)	721	45,555	749,400	28,146	777,546
Profit for the period	—	—	—	—	—	—	—	12,078	12,078	1,018	13,096
Cash dividend	—	—	—	—	—	—	—	(4,382)	(4,382)	—	(4,382)
At 31st December, 2004 (unaudited)	219,104	426,608	55,018	3,178	1,644	(2,428)	721	53,251	757,096	29,164	786,260
At 30th June, 2005 (audited)	219,104	426,608	55,018	1,538	1,644	(2,428)	721	128,926	831,131	30,688	861,819
As originally stated	—	—	—	(1,538)	—	—	—	1,915	377	(66)	311
Effect of changes in accounting policies	—	—	—	(1,538)	—	—	—	1,915	377	(66)	311
As restated	219,104	426,608	55,018	—	1,644	(2,428)	721	130,841	831,508	30,622	862,130
Exchange differences arising from translation of overseas operations	—	—	—	—	—	6,226	—	—	6,226	—	6,226
Share of increase in translation reserve by minority interests	—	—	—	—	—	(727)	—	—	(727)	727	—
Net income recognised directly in equity	—	—	—	—	—	5,499	—	—	5,499	727	6,226
Profit for the period	—	—	—	—	—	—	—	140,324	140,324	3,472	143,796
Total recognised income for the period	—	—	—	—	—	5,499	—	140,324	145,823	4,199	150,022
Cash dividend	—	—	—	—	—	—	—	(4,382)	(4,382)	—	(4,382)
At 31st December, 2005 (unaudited)	219,104	426,608	55,018	—	1,644	3,071	721	266,783	972,949	34,821	1,007,770

Condensed Consolidated Cash Flow Statement

For the six months ended 31st December, 2005

	Unaudited	
	Six months ended	
	31st December,	
	2005	2004
	HK\$'000	<i>HK\$'000</i>
NET CASH FROM OPERATING ACTIVITIES	85,212	35,960
NET CASH FROM (USED IN) INVESTING ACTIVITIES	545,329	(60,139)
NET CASH USED IN FINANCING ACTIVITIES	(222,314)	(9,376)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	408,227	(33,555)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	101,773	119,734
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(2,814)	—
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	507,186	86,179
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	507,186	86,179

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31st December, 2005

1. BASIS OF PREPARATION

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

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumption that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

These condensed consolidated financial statements of the Group for the six months ended 31st December, 2005 are unaudited and have been reviewed by the Audit Committee of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

These condensed consolidated financial statements have been prepared under the historical cost convention, except for investment properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

These interim financial statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 30th June, 2005 except for those changes following the Group’s adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRS(s)”), Hong Kong Accounting Standards (“HKAS(s)”) and relevant Interpretations (“HKAS-INTs” and “HK-INTs”) which took effect on 1st July, 2005 for the Group. The changes in accounting policies, which have significant impacts on the Group’s financial statements are summarised as below:

(a) Business combinations

In the current period, the Group has applied HKFRS 3 “Business Combinations” which is effectively for business combinations for which the agreement date is on or after 1st January, 2005, which mainly has effects on the treatment of goodwill.

For the six months ended 31st December, 2005

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Business combinations *(Continued)*

In prior periods, positive goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. In the current period, the Group has applied the relevant transitional provisions in HKFRS 3 that the Group has discontinued amortising but applied impairment testing on the positive goodwill at least annually from 1st July, 2005 onwards. But this change in accounting policy has no effect on the results of the Group for the current period as the positive goodwill of the Group has been fully amortised in the financial year ended 30th June, 2005.

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition (previously known as "negative goodwill") is recognised immediately in profit or loss in the period in which the acquisition takes place.

Negative goodwill arose on an acquisition prior to 1st July, 2001 was previously held in reserves and has been derecognised at 1st July, 2005 in accordance with the relevant transitional provisions in HKFRS 3, with a corresponding increase to retained profits, which financial impact is set out in note 3.

(b) Investment properties

In the current period, the Group has applied HKAS 40 "Investment Property" by electing to adopt the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under the predecessor standard were measured at open market values, with revaluation surplus or deficits credited or charged to the investment property revaluation reserve unless the balance on this reserve was insufficient to cover the revaluation decreases, and the excess was charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arise, this surplus is credited to the income statement to the extent of the deficit previously charged. On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Investment properties *(Continued)*

This change in accounting policy has no impact on the results of the current period since the disposal of the Group's interests in Dynamic Cargo Centre (an investment property held by the Group as at 30th June, 2005) was completed on 30th November, 2005, with its carrying value on a market value on existing state basis was transferred to the income statement to arrive at the gain on disposal of HK\$126,000,000 by taking into account the fact that the investment property revaluation reserve has been fully transferred to the income statement according to the predecessor standard in prior periods.

(c) Financial instruments

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". Under HKAS 32, a financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. HKAS 32 requires retrospective application. HKAS 39, which is effective for accounting periods beginning on or after 1st January, 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarized below:

Classification and measurement of financial assets and financial liabilities

Together with HKAS 32, the Group 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. The classification depends on the purpose for which the assets are acquired. In accordance with HKAS 39, the Group has measured all its financial assets and financial liabilities upon initially recognition at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

For the six months ended 31st December, 2005

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) Financial instruments (Continued)

Classification and measurement of financial assets and financial liabilities (Continued)

Loan receivables in respect of the mortgage loans (which are interest free with fixed and determinable payments) to the customers of Chaoyang Garden were financial assets and were classified as “loans and receivables”. These loans and receivables are subsequently measured at amortised cost using the effective interest method, less any identified impairment losses.

Loan from a related company, which was unsecured with a better than the normal commercial terms that the Group can be granted by other financial institutions or third parties in the ordinary and usual course of business, was classified at financial liability at amortised cost. This financial liability was subsequently measured at amortised cost using the effective interest method.

The adoption of these new accounting standards has resulted in an increase in retained profits on 1st July, 2005 and a decrease in profit for the period from 1st July, 2005 to 31st December, 2005, which financial impact is set out in note 3.

(d) Presentational changes

The application of the new HKFRSs has also resulted in changes in the presentation of the financial statements retrospectively with comparatives restated to conform to the current period’s presentation.

In prior years, minority interests were presented in the consolidated balance sheet separately. Financial results shared by minority interests were separately presented in the consolidated income statement as a deduction before arriving at the net profit for the year.

For the six months ended 31st December, 2005

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Presentational changes *(Continued)*

With effect from 1st July, 2005, in order to comply with HKAS 1 “Presentation of Financial Statements” and HKAS 27 “Consolidated and Separate Financial Statements”, minority interests are presented in the consolidated balance sheet with equity, separately from the equity attributable to the equity holders of the Company, and the results shared by minority interests are presented on the face of the consolidated income statement as an allocation of the attributable profit between the minority interests and the equity holders of the Company.

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described in note 2 on the results for the current and prior periods are as follows:

	HKAS 39 <i>HK\$'000</i> <i>(Note 2c)</i>	Total effect <i>HK\$'000</i>
For the six months ended 31st December, 2005 (unaudited)		
Increase in imputed interest income for loan receivables	369	369
Increase in imputed interest expense on loan from a related company	(1,736)	(1,736)
Decrease in profit for the period	(1,367)	(1,367)

There is no effect on the profit for the period from 1st July, 2004 to 31st December, 2004 as HKAS 39 was not apply retrospectively (note 2c).

Notes to the Condensed Consolidated Financial Statements *(Continued)*

For the six months ended 31st December, 2005

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(Continued)*

The cumulative effects of the new HKFRSs as at 30th June, 2005 and 1st July, 2005 are summarized below:

	Retrospective					As at 1st July, 2005 HK\$'000 <i>(As restated)</i>
	As at 30th June, 2005 HK\$'000 <i>(As originally stated)</i>	Adjustment HKAS 1 & HKAS 27 HK\$'000 <i>(Note 2d)</i>	As at 30th June, 2005 HK\$'000 <i>(As restated)</i>	Adjustments on 1st July, 2005 HKAS 39 HK\$'000 <i>(Note 2c)</i>	Adjustments on 1st July, 2005 HKFRS 3 HK\$'000 <i>(Note 2a)</i>	
Balance sheet items						
Property, plant and equipment	12,475		12,475			12,475
Investment properties	500,000		500,000			500,000
Properties held for development	219,848		219,848			219,848
Loan receivables — due after one year	7,147		7,147	(529)		6,618
Properties under development	248,774		248,774			248,774
Properties held for sale	150,088		150,088			150,088
Loan receivables — due within one year	8,167		8,167	(799)		7,368
Loan from a related company	(68,620)		(68,620)	1,639		(66,981)
Deferred tax liabilities	(19,613)		(19,613)			(19,613)
Other assets and liabilities	(196,447)		(196,447)			(196,447)
Total effect on assets and liabilities	861,819		861,819	311		862,130
Minority interests	(30,688)	30,688	—			—
	831,131	30,688	861,819	311	—	862,130
Share capital	219,104		219,104			219,104
Other reserves	483,101		483,101		(1,538)	481,563
Retained profits	128,926		128,926	377	1,538	130,841
Equity holders of the Company	831,131		831,131	377	—	831,508
Minority interests	—	30,688	30,688	(66)		30,622
Total effects on total equity	831,131	30,688	861,819	311	—	862,130

Notes to the Condensed Consolidated Financial Statements *(Continued)*

For the six months ended 31st December, 2005

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(Continued)*

The financial effects of the application of the new HKFRSs to the Group's equity at 1st July, 2004 are summarized below:

	HKAS 1 & HKAS 27		
	HK\$'000	HK\$'000	HK\$'000
	<i>(As originally stated)</i>	<i>(Note 2d)</i>	<i>(As restated)</i>
Share capital	219,104		219,104
Other reserves	484,741		484,741
Retained profits	45,555		45,555
Equity holders of the Company	749,400		749,400
Minority interests	—	28,146	28,146
Total effects on total equity	749,400	28,146	777,546

4. SEGMENTAL INFORMATION

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 segmental 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

Notes to the Condensed Consolidated Financial Statements *(Continued)*

For the six months ended 31st December, 2005

4. SEGMENTAL INFORMATION *(Continued)*

Business segments *(Continued)*

Segmental information about these businesses is presented below:

	Property sales		Property rental		Port operations		Consolidated	
	Unaudited							
	Six months ended 31st December,							
	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER								
External sales	84,467	59,308	14,187	14,733	9,338	8,835	107,992	82,876
SEGMENT RESULT	15,518	3,932	13,805	13,461	6,191	2,740	35,514	20,133
Unallocated corporate income							665	—
Gain on disposal of investment properties							126,000	—
Unallocated corporate expenses							(7,783)	(5,258)
Finance costs							(2,529)	(71)
Profit before taxation							151,867	14,804
Taxation							(8,071)	(1,708)
Profit for the period							143,796	13,096

Notes to the Condensed Consolidated Financial Statements *(Continued)*

For the six months ended 31st December, 2005

4. SEGMENTAL INFORMATION *(Continued)*

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 for the period	
	Unaudited			
	Six months ended 31st December,			
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Hong Kong	14,187	14,733	13,805	13,461
Other regions in the People's Republic of China ("PRC")	93,805	68,143	21,709	6,672
	107,992	82,876	35,514	20,133
Unallocated corporate income			665	—
Gain on disposal of investment properties			126,000	—
Unallocated corporate expenses			(7,783)	(5,258)
Finance costs			(2,529)	(71)
Profit before taxation			151,867	14,804
Taxation			(8,071)	(1,708)
Profit for the period			143,796	13,096

Notes to the Condensed Consolidated Financial Statements *(Continued)*

For the six months ended 31st December, 2005

5. OTHER INCOME

	Unaudited Six months ended 31st December,	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Bank interest income	2,136	1,041
Exchange gain	5,600	—
Imputed interest income on loan receivables	369	—
Sundry income	2,335	1,227
	10,440	2,268

6. DEPRECIATION

	Unaudited Six months ended 31st December,	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Profit from taxation for the period has been arrived at after charging the following item:		
Depreciation	880	805
Less: Amount capitalized and included in properties under development	(32)	(210)
	848	595

Notes to the Condensed Consolidated Financial Statements *(Continued)*

For the six months ended 31st December, 2005

7. FINANCE COSTS

	Unaudited Six months ended 31st December,	
	2005 HK\$'000	2004 HK\$'000
Interest on bank borrowings wholly repayable within five years	2,585	1,199
Less: Amount capitalised and included in properties under development by applying a capitalisation rate of 6.7% (2004: 4.7%) to expenditure on qualifying assets	(1,792)	(1,128)
Interest on loan from a related company wholly repayable within five years	1,207	2,076
Less: Amount capitalized and included in properties held for development	(1,207)	(2,076)
Imputed interest expense on loan from a related company	1,736	—
	2,529	71

Notes to the Condensed Consolidated Financial Statements *(Continued)*

For the six months ended 31st December, 2005

8. TAXATION

	Unaudited	
	Six months ended	
	31st December,	
	2005	2004
	HK\$'000	HK\$'000
<hr/>		
The tax charge comprises:		
Hong Kong Profits Tax		
Current period	22,909	—
Overprovision in prior years	(1)	(4)
PRC Income Tax		
Current period	6,303	2,363
Overprovision in prior years	(1,527)	(1,997)
Deferred Tax (Credit) Charge		
Current period	(19,613)	1,346
	8,071	1,708

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profits for the period.

PRC Foreign Enterprise Income Tax is calculated at the rates prevailing in the PRC.

Deferred tax has been provided on temporary differences using the current applicable rate.

Hong Kong profits tax of HK\$22,909,000 and deferred tax credit of HK\$19,613,000 for the six months ended 31st December, 2005 arose from the disposal of the investment properties of the Group on 30th November, 2005.

For the six months ended 31st December, 2005

9. DIVIDEND

On 17th January, 2006, a final dividend of 2 Hong Kong cents (2004: 2 Hong Kong cents) per share was paid to the Company's shareholders as a final dividend for the year ended 30th June, 2005.

On 3rd January, 2006, the Directors declared a special dividend of 15 Hong Kong cents per share to those shareholders whose names appeared on the register of members of the Company on 24th March, 2006. And such dividend will be paid in cash on or about 31st March, 2006.

The Directors have declared an interim dividend of 2 Hong Kong cents (2004: 2 Hong Kong cents) per share for the six months ended 31st December, 2005 to all shareholders whose names appear on the register of members of the Company on 21st April, 2006.

10. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit of HK\$140,324,000 (2004: HK\$12,078,000) attributable to equity holders of the Company for the period and on 219,103,681 (2004: 219,103,681) ordinary shares in issue throughout the period.

The changes in the Group's accounting policies during the period as described in note 2 has no effect on the basic earnings per share for the period ended 31st December, 2004.

No diluted earnings per share is shown as there is no dilutive effect on the earnings per share for both periods.

Notes to the Condensed Consolidated Financial Statements *(Continued)*

For the six months ended 31st December, 2005

11. TRADE AND OTHER RECEIVABLES

At 31st December, 2005, the balance of trade and other receivables included trade receivables of HK\$1,888,000 (30th June, 2005: HK\$1,413,000) and home loans of HK\$26,416,000 (30th June, 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. Rental receivables from tenants and service income receivables from customers are payable on presentation of invoices. The aged analysis of trade receivables is as follows:

	Unaudited At 31st December, 2005 HK\$'000	Audited At 30th June, 2005 HK\$'000
0 – 60 days	650	1,268
61 – 90 days	72	79
Over 90 days	1,166	66
	1,888	1,413

12. TRADE AND OTHER PAYABLES

At 31st December, 2005, the balance of trade and other payables included trade payables of HK\$63,910,000 (30th June, 2005: HK\$59,090,000). The aged analysis of trade payables is as follows:

	Unaudited At 31st December, 2005 HK\$'000	Audited At 30th June, 2005 HK\$'000
0 – 60 days	52,701	35,929
61 – 90 days	2,674	10,350
Over 90 days	8,535	12,811
	63,910	59,090

Notes to the Condensed Consolidated Financial Statements *(Continued)*

For the six months ended 31st December, 2005

13. BANK LOANS

	Unaudited At 31st December, 2005 HK\$'000	Audited At 30th June, 2005 HK\$'000
The bank loans are repayable as follows:		
Within one year or on demand	69,126	99,674
More than one year, but not exceeding two years	—	22,000
More than two years, but not exceeding five years	—	101,500
	69,126	223,174
Less: Amount repayable within one year shown under current liabilities	(69,126)	(99,674)
Amount due after one year	—	123,500
Secured	67,308	209,538
Unsecured	1,818	13,636
	69,126	223,174

The loans bear average interest rate of about 0.48% to 1.5% (30th June, 2005: about 0.48% to 1.5%) over Hong Kong Interbank Offered Rate per annum and are repayable either in instalments or in one lump sum within five years.

Notes to the Condensed Consolidated Financial Statements *(Continued)*

For the six months ended 31st December, 2005

14. SHARE CAPITAL

	Number of shares		Amount	
	Unaudited At 31st December, 2005	Audited At 30th June, 2005	Unaudited At 31st December, 2005 <i>HK\$'000</i>	Audited At 30th June, 2005 <i>HK\$'000</i>
Ordinary shares of HK\$1.00 each Authorised	300,000,000	300,000,000	300,000	300,000
Issued	219,103,681	219,103,681	219,104	219,104

15. SHARE OPTION SCHEME

The Company adopted a share option scheme on 21st December, 2001 (the "Share Option Scheme").

The Share Option Scheme was adopted for the purpose of providing incentives to Directors, employees and eligible participants and will expire on 20th December, 2011. Under the Share Option Scheme, the Board of Directors of the Company may grant options to Executive Directors, employees of the Company and its subsidiaries and such eligible participants at the discretion of the Board of Directors of the Company pursuant to the terms of the Share Option Scheme, to subscribe for shares of the Company at a price per share not less than the highest of i) the closing price of a share of the Company listed on the Stock Exchange at the date of grant of the option; ii) the average of the closing price of a share of Company on the Stock Exchange for the five trading days immediately preceding the date of grant of the option; and iii) the nominal value of a share of the Company.

For the six months ended 31st December, 2005

15. SHARE OPTION SCHEME *(Continued)*

No share option was granted to or exercised by any of the Company's and its subsidiaries' Directors, employees and such eligible participants under the Share Option Scheme since its adoption, and there were no share options outstanding as at 31st December, 2005 and 31st December, 2004.

16. CONTINGENT LIABILITIES

	The Company	
	Unaudited At 31st December, 2005 HK\$'000	Audited At 30th June, 2005 HK\$'000
Guarantees given to financial institutions in respect of banking facilities granted to subsidiaries	79,126	334,674

The extent of such facilities utilized and unutilized by the subsidiaries at 31st December, 2005 amounted to approximately HK\$69,126,000 (30th June, 2005: HK\$223,174,000) and HK\$10,000,000 (30th June, 2005: HK\$111,500,000), respectively.

In addition, the Group and the Company have given guarantees in respect of the settlement of mortgage loans provided by banks to the home buyers of a property project in the PRC. At 31st December, 2005, the Group and the Company had a maximum amount of mortgage loans which were subject to these guarantees of HK\$626,360,000 (30th June, 2005: HK\$643,533,000) and HK\$38,763,000 (30th June, 2005: HK\$38,858,000) respectively.

Notes to the Condensed Consolidated Financial Statements *(Continued)*

For the six months ended 31st December, 2005

16. CONTINGENT LIABILITIES *(Continued)*

A subsidiary has been named as a defendant in a High Court action in respect of an alleged breach of contractual undertakings. The plaintiff is claiming for an amount of HK\$14,879,000 (30th June, 2005: HK\$14,879,000). The subsidiary and its legal counsel are strongly resisting this claim and a counterclaim has been lodged against the plaintiff for, inter alia, damages in an amount of about HK\$49,309,000 (30th June, 2005: HK\$49,309,000) (subject to the Court's assessment). In the opinion of the Directors, the outcome of this case would not have a material adverse impact on the financial position of the Group, accordingly, no provision for any potential liabilities has been made in the financial statements.

17. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following transactions with related parties who have significant influence over the Group except loan from a related company as described in note c below:

	Unaudited Six months ended 31st December,	
	2005	2004
	HK\$'000	HK\$'000
Rental income received <i>(note a)</i>	65	82
Rental and management fees paid <i>(note a)</i>	693	693
Consultancy service fees paid <i>(note b)</i>	500	500
Finance costs and charge paid <i>(note c)</i>	1,517	2,121

Notes to the Condensed Consolidated Financial Statements *(Continued)*

For the six months ended 31st December, 2005

17. RELATED PARTY TRANSACTIONS *(Continued)*

The outstanding balances with these related companies and minority shareholders, which were unsecured, interest free and repayable on demand at 31st December, 2005 and 30th June, 2005 are as follows:

	Unaudited At 31st December, 2005 HK\$'000	Audited At 30th June, 2005 HK\$'000
Deposits due from related companies included in trade and other receivables <i>(note d)</i>	223	223
Amounts due from related parties included in trade and other receivables	2,023	1,528
Amounts due from minority shareholders	5,210	5,035
Consultancy fee payable included in trade and other payables <i>(note b)</i>	500	500
Finance cost and charge payable to a related company included in trade and other payables <i>(note c)</i>	7	11

Notes:

- a. *Rental income received from the Group's investment properties; and rental and management fees paid in respect of office premise and staff quarter were determined at market price.*
- b. *Consultancy service fees were paid or payable at the terms agreed by the relevant parties.*
- c. *Finance costs and charge were paid or payable in respect of a loan agreement with the lender, Speedy Return Investments Limited, which was a company beneficially, indirectly and wholly owned by Mr. CHUA Domingo, the Chairman and controlling shareholder of the Company. The loan was unsecured at the annual interest rate of LIBOR plus 2.125% for a term of four years from the date of original loan agreement as extended. The terms of the loan is better than those applicable to similar transactions with unrelated parties.*
- d. *Deposits due from related companies were represented by rental and management fee deposit paid in respect of office premise and staff quarter of the Group.*

The remuneration of key management personnel, all in short-term employee benefits, during the period amounted to HK\$2,340,000 (six months ended 31st December, 2004: HK\$2,350,000)

For the six months ended 31st December, 2005

18. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, a wholly-owned subsidiary of the Company entered into an agreement with two connected persons (as defined under the Listing Rules) on 5th January, 2006 for acquisition of the entire issued share capital of and outstanding debts owing from High Grand Investments Limited as a total consideration of HK\$344,000,000 (the "Acquisition").

Pursuant to the Acquisition, the Group has to invest in the total sum of HK\$728,000,000 (subject to adjustment), comprising the Acquisition and payment of RMB400,000,000 (subject to adjustment), being balance payment payable under the pre-sale contracts for acquisition of a property situated in Shanghai with 182 office units and an estimated gross floor area of 30,188 square metres. Details of the Acquisition is disclosed in the Company's circular to shareholders dated 24th February, 2006.

Completion of the Acquisition is subject to, among others, approval of independent shareholders of the Company, ordinary resolution of which was passed on 13th March, 2006. And completion of the Acquisition took place on 14th March, 2006.