

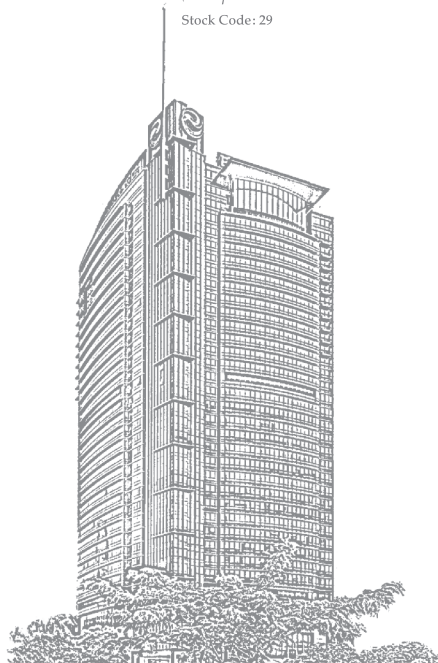


DYNAMIC HOLDINGS LIMITED

達力集團有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 29



Interim Report
2010-2011



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Corporate and Investor Information

DIRECTORS

Executive Directors

CHUA Domingo, *Chairman*

CHAN Wing Kit, Frank,
Chief Executive Officer

TAN Harry Chua

TAN Lucio Jr. Khao

CHEUNG Chi Ming

PASCUAL Ramon Sy

CHIU Siu Hung, Allan

WONG Sai Tat

Independent Non-executive Directors

CHONG Kim Chan, Kenneth

SY Robin

FOK Kam Chu, John

REMUNERATION COMMITTEE

CHUA Domingo

CHAN Wing Kit, Frank

CHONG Kim Chan, Kenneth

SY Robin

FOK Kam Chu, John

COMPANY SECRETARY

WONG Oi Yee, Polly

AUDIT COMMITTEE

CHONG Kim Chan, Kenneth,

Chairman

SY Robin

FOK Kam Chu, John

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Jackson Woo & Associates
in association with Ashurst
Hong Kong

Deacons

Appleby

PRINCIPAL BANKERS

Hang Seng Bank Limited
Industrial and Commercial Bank of
China (Asia) Limited
China Merchants Bank Co., Ltd.
Bank of China Limited
Bank of Communications Co., Ltd.

STOCK CODE

029

SHARE REGISTRAR

Principal Share Registrar

Butterfield Fulcrum Group
(Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

Branch Share Registrar

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

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

REPRESENTATIVE OFFICE IN SHENZHEN

Unit 1321, Shenzhen Kerry Centre
2008 Renminnan Road, Shenzhen
The People's Republic of China

WEBSITES

<http://www.dynamic.hk>
<http://www.irasia.com/listco/hk/dynamic>

FINANCIAL CALENDAR

Book-close Dates	11 April 2011 – 15 April 2011 (both days inclusive)
Record Date for Interim Dividend	15 April 2011
Payment of Interim Dividend	4 May 2011

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 31 December 2010.

INTERIM RESULTS

For the six months ended 31 December 2010, the Group recorded a turnover of HK\$37,347,000 (2009 : HK\$58,469,000), and a gross profit of HK\$35,540,000 (2009 : HK\$41,757,000). As compared with the last corresponding period, the gross profit of the Group dropped by about 15% whereas the gross profit margin rose to 95% from 71%. These results were primarily attributable to rental income of investment properties of the Group and insignificant proceeds from property sales being recognised in the period as explained below.

In addition, the Group accounted for other income in the sum of HK\$15,189,000 (2009 : HK\$11,629,000) including, among others, the imputed interest income and exchange gain in the period.

In light of positive property sentiment in the mainland China, there was an aggregate increase of HK\$21,642,000 (2009 : HK\$Nil) in the fair value of the investment properties of the Group for the period.

All in all, the profit of the Company for the period attributable to its owners soared by 63% totalling HK\$37,730,000 (2009 : HK\$23,108,000) as compared with the last corresponding period with earnings per share of HK\$0.1722 (2009 : HK\$0.1055).

Taking into account of other comprehensive income of exchange gain on translation to presentation currency, the total comprehensive income attributable to owners of the Company amounted to HK\$74,531,000 (2009 : HK\$25,370,000) for the period.

SEGMENT INFORMATION

Details of the segment information of the Group’s turnover and results by reportable segment for the period are set out in note 3 to the condensed consolidated financial statements.

INTERIM DIVIDEND

The Directors have declared an interim dividend of 2 Hong Kong cents (2009: 2 Hong Kong cents) per share for the six months ended 31 December 2010 to all shareholders whose names appear on the register of members of the Company on 15 April 2011. The dividend warrants are expected to be despatched to those entitled on or about 4 May 2011.

BUSINESS REVIEW

During the period under review, the Group's turnover and results were principally derived from its operating segment in terms of property rental in the mainland China. The Group accounted for insignificant proceeds from property sales in its operating segment of property sales in the period, since property sales had substantially dropped as a result of delayed sales completion due to limited number of unsold units of the Group, the tightening regulatory measures imposed on residential property and restrictive credit policy on home purchase.

During the period under review, the rental income of the Group generated from its investment properties in Shanghai and Beijing amounted to HK\$35,342,000 (2009: HK\$36,104,000), which contributed nearly all the revenue income of the Group in the period. In respect of asset values, these investment properties of the Group which include, among others, shopping mall and office units appreciated in the sum of HK\$21,642,000 (2009: HK\$Nil) under buoyant momentum of the economy in China in the period. The segment results of property rental surged a profit of HK\$47,956,000 (2009: HK\$27,773,000), showing a rise of 73% as compared with the last corresponding period.

In Beijing, strong growth of retail sales continued to support retailer expansion. Rents increased slightly, while take-up rate continued to improve across the market. The well-established "Uptown Mall" of the Group reached a level of full occupancy, with improved rental and capital value achieving the segment profit of HK\$24,235,000 (2009: HK\$2,085,000) in the period.

In relation to property sales, transaction volume had fallen significantly after the Chinese government demand-suppression policy and credit control measures. As a result, the proceeds of property sales markedly decreased to an amount of HK\$2,005,000 (2009: HK\$22,365,000) in the period. Consequently, the segment results of property sales showed a profit of HK\$2,015,000 (2009: HK\$7,152,000) in the period.

BUSINESS REVIEW (Continued)

After the World Expo in Shanghai, a supply glut in office market remained with competitive rental and thereby rental rates dropped slightly in the period. Nevertheless, the Group sustained a high occupancy rate of its quality offices known as “Eton Place” situated in Pudong, with reduced rental and slight appreciation in value, bringing the segment results to an aggregate profit of HK\$23,721,000 (2009 : HK\$25,688,000) in the period.

In respect of the jointly controlled entity known as Shenzhen Zhen Wah Harbour Enterprises Ltd. (“**Zhen Wah**”, which entitles to land use right of a piece of land located in Tung Kok Tau in Shenzhen), the Group accompanied with the Chinese partner of Zhen Wah negotiated with the municipal government in respect of the redevelopment plan of Tung Kok Tau and took expedient action so as to safeguard its best interests in Zhen Wah and to bolster best value of the assets held by Zhen Wah in the period.

FINANCIAL REVIEW

Capital Structure

The financial position of the Group remains stable and liquid, and its financing and treasury policies are managed and controlled at the corporate level and prudent manner during the period. The main objective is to utilise the group funding efficiently and to manage the financial risks effectively. As at 31 December 2010, the equity attributable to owners of the Company amounted to HK\$1,544,462,000 (30 June 2010 : HK\$1,474,313,000) with net asset value per share of HK\$7.05 (30 June 2010 : HK\$6.73). Total unsecured and secured bank borrowings of the Group amounted to HK\$258,800,000 (30 June 2010 : HK\$285,500,000, restated) as at 31 December 2010, which were in Hong Kong dollars and repayable within one year on floating rate basis. As at 31 December 2010, the gearing ratio of the Group was about 8.5% (30 June 2010 : 10.8%) based on the net debt of the Group (after deducting bank balances and cash) to its equity attributable to owners of the Company. The Group maintains a conservative approach in treasury management by constantly monitoring its exposure to interest rate and foreign exchange. The use of financial instrument is strictly controlled by the Group. No significant exposure to foreign currency fluctuations affected the Group in the period under review. No financial instruments were used for hedging purpose in the period.

FINANCIAL REVIEW (Continued)

Financial Resources and Liquidity

In the period under review, sufficient cashflow was generated by rental income of investment properties in Shanghai and Beijing. As at 31 December 2010, the Group's bank balances and cash stood at HK\$128,271,000 (30 June 2010: HK\$126,976,000) denominated primarily in renminbi yuans and Hong Kong dollars. With sufficient cashflow in the period, the Group maintained un-utilised credit facilities of HK\$15,500,000 (30 June 2010 : HK\$11,000,000) as working capital at floating interest rate as at 31 December 2010.

Pledge of Assets and Contingent Liabilities

As at 31 December 2010, the Group pledged its investment properties with a total carrying value of HK\$1,024,996,000 (30 June 2010 : HK\$997,948,000) to financial institutions as security against general banking facilities granted to the Group, and also pledged certain of its bank deposits in the sum of HK\$20,108,000 (30 June 2010 : HK\$21,239,000) to banks to secure home loans granted to the home buyers of property project of the Group. The Group has given guarantees in respect of the settlement of home loans provided by banks to the home buyers of a property project in Beijing. As at 31 December 2010, the Group had given guarantees in respect of such home loans of HK\$98,182,000 (30 June 2010 : HK\$123,484,000). The Directors consider that the fair values of these financial guarantee contracts at their initial recognition and at the end of the reporting period are insignificant on the basis of the low loan ratio.

PROSPECTS

Looking ahead, the Group will strive for steady source of rental income given the improved market sentiments and continuous growth of China economy, though stringent measures are expected to be further imposed by the Chinese government to curb demand and price for housing.

PROSPECTS *(Continued)*

In Beijing, the surge of new shopping malls coupled with additional mall projects are to be expected in this year which will bring about ample supply of retail spaces to the market. Nevertheless, demand for rental space is forecasted to remain solid as a result of thriving economic growth and strengthening consumer confidence in Beijing. The Group will actively restructure and optimise tenant mix with effective mall management to cope with the keen market competition. On the other side, it is anticipated that the demand for residential property will likely be cooling down further, resulting from the expected further tightening of housing policies.

In Shanghai, the influx of new supply is expected to reach a peak in Pudong in this year. Hence, a flexible rental policy on office market will be adopted for attracting new tenants to upgrade and relocate. However, driven by the positive long-term effect of post-World Expo on the office market, associated with the resurgence of both the global and domestic economies should lead to more companies re-initiating their expansion plans in Shanghai. The Group will procure for tenant retention upon lease renewals and to strive for new tenants at competitive rental strategies for sustaining high occupancy rate with steady recurring revenue to the Group in Shanghai.

Finally, the Group will endeavor to safeguard its best interests in Zhen Wah and continue to negotiate with the relevant government authorities to optimise redevelopment plan and maximise asset values of Tung Kok Tau in Shenzhen in alignment with the official rezoning and city planning of Shenzhen and development of infrastructure in the region.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 11 April 2011 to Friday, 15 April 2011, both days inclusive, during which period no transfer of share(s) will be effected. In order to qualify for the interim dividend, all form(s) of share transfer accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar in Hong Kong, Tricor 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 Friday, 8 April 2011.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2010, the interests and short positions held by the Directors and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept 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	Family interests	Corporate interests	
Mr. CHUA Domingo (note 1)	4,000,000	–	89,321,279	42.59%
Mr. TAN Harry Chua (note 2)	–	248,000	–	0.11%
Mr. PASCUAL Ramon Sy	80,000	–	–	0.04%

- Notes:
1. 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.
 2. Mr. TAN Harry Chua was deemed or taken to be interested in the shares of the Company beneficially owned by his spouse, Mrs. TAN Xing Hong Wei Wang, for the purpose of the SFO.

Save as disclosed above, none of the Directors, their associates and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2010; or would require, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), to be notified to the Company and the Stock Exchange.

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 31 December 2010.

DISCLOSURE OF INFORMATION ON DIRECTORS

Pursuant to rule 13.51B(1) of the Listing Rules, the updated information on Directors is as follows:

Mr. CHONG Kim Chan, Kenneth, independent non-executive Director of the Company, serves as an independent non-executive director of Allied Banking Corporation (Hong Kong) Limited, which is a restricted license bank in Hong Kong.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2010, so far as is known to any Director or chief executive of the Company, persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Capacity	Number of issued ordinary shares held (long position)	Total number of issued ordinary shares held (long position)	Percentage of the issued share capital of the Company
Dynamic Development Corporation	Beneficial owner	89,321,279	89,321,279	40.77%
Carnation Investments Inc.	Trustee of a private discretionary trust (note 1)	89,321,279	89,321,279	40.77%
Dr. TAN Lucio C.	Founder of a private discretionary trust	89,321,279	89,321,279	40.77%
Mrs. TAN Carmen K.	Family interests (note 2)	89,321,279	89,321,279	40.77%

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES (Continued)

- Notes:
1. Carnation Investments Inc. was taken to be interested in 89,321,279 shares in the Company as the entire issued share capital of Dynamic Development Corporation was held by Carnation Investments Inc. as trustee for a private discretionary trust. Mr. CHUA Domingo is the sole shareholder and director of Carnation Investments Inc.
 2. Mrs. TAN Carmen K., being the spouse of Dr. TAN Lucio C. who is interested in the shares of the Company as a founder of a private discretionary trust, was deemed or taken to be interested in the shares of the Company in which Dr. TAN Lucio C. was interested under the SFO.
 3. The references to 89,321,279 shares in the Company in which Dynamic Development Corporation, Carnation Investments Inc., Dr. TAN Lucio C. and Mrs. TAN Carmen K. were interested or taken to be interested relate to the same block of shares.

Save as disclosed above, the Company has not been notified by any person (other than the Directors and chief executive of the Company) who had any interests or short positions in the shares and underlying shares of the Company to be recorded in the register required to be kept under Section 336 of the SFO as at 31 December 2010.

EMOLUMENT POLICY

At 31 December 2010, the Group had below 50 employees in Hong Kong and the Mainland China at prevailing market remuneration with employee benefits such as medical insurance, provident fund schemes and a share option scheme.

The emolument policy of the employees of the Group is set up by the remuneration committee of the Company on the basis of their merit, qualifications and competence.

The emoluments of the Directors of the Company are decided by the remuneration committee of the Company, having regard to the Group's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme is set out in note 16 to the condensed consolidated financial statements.

CORPORATE GOVERNANCE

The Company has applied the principles and has complied with the code provisions in the Code on Corporate Governance Practices (“CG Code”) as set out in Appendix 14 to the Listing Rules throughout the six months ended 31 December 2010, save for the deviation from CG Code B.1.1 which stipulates that a majority of the members of the remuneration committee should be independent non-executive Directors.

During the period from 2 June 2010 to 31 August 2010, the members of the remuneration committee of the Company was not composed of a majority of independent non-executive Directors. Additionally, during the same period, the number of independent non-executive Directors and the members of audit committee of the Company fell below the minimum of three as required under rules 3.10(1) and 3.21 of the Listing Rules, respectively.

With effect from 1 September 2010, the Company has appointed Mr. FOK Kam Chu, John as an independent non-executive Director, a member of the audit committee and a member of the remuneration committee of the Company, and hence the Company has been in compliance with the CG Code and the Listing Rules, respectively.

PURCHASE, SALE OR REDEMPTION OF 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 the accounting practices and principles adopted by the Group and discussed with the management as to auditing, internal control and financial reporting matters including the review of this unaudited interim report for the six months ended 31 December 2010.

By Order of the Board



CHAN Wing Kit, Frank
Director and Chief Executive Officer

Hong Kong, 25 February 2011

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2010

	Notes	Unaudited Six months ended 31 December	
		2010 HK\$'000	2009 HK\$'000
Turnover	3	37,347	58,469
Cost of sales		(1,807)	(16,712)
Gross profit		35,540	41,757
Other income	4	15,189	11,629
Increase in fair value of investment properties		21,642	–
Administrative expenses		(21,570)	(18,939)
Finance costs	6	(1,207)	(1,251)
Share of loss of a jointly controlled entity		(3,609)	(3,421)
Profit before taxation		45,985	29,775
Taxation	7	(7,179)	(6,378)
Profit for the period		38,806	23,397
Other comprehensive income			
Exchange difference on translation to presentation currency		37,565	2,296
Total comprehensive income for the period		76,371	25,693
Profit for the period attributable to:			
Owners of the Company		37,730	23,108
Non-controlling interest		1,076	289
		38,806	23,397
Total comprehensive income attributable to:			
Owners of the Company		74,531	25,370
Non-controlling interest		1,840	323
		76,371	25,693
Basic earnings per share (Hong Kong cents)	8	17.22	10.55

Condensed Consolidated Statement of Financial Position

As at 31 December 2010

		Unaudited At 31 December 2010 HK\$'000	Audited At 30 June 2010 HK\$'000
			(restated)
Non-current Assets			
Property, plant and equipment		2,675	2,911
Investment properties	10	1,596,136	1,535,437
Interest in a jointly controlled entity	11	51,833	55,457
Amount due from a jointly controlled entity	11	229,747	217,826
Other receivables		—	744
		1,880,391	1,812,375
Current Assets			
Properties held for sale		40,726	40,402
Loan receivables		—	—
Trade and other receivables	12	17,889	17,297
Amount due from a non-controlling shareholder		899	877
Bank deposits — pledged		20,108	21,239
Bank balances and cash		128,271	126,976
		207,893	206,791
Current Liabilities			
Trade and other payables	13	55,699	53,080
Pre-sale deposits received		2,405	946
Tax payable		94,756	81,576
Bank loans — due within one year	14	258,800	285,500
		411,660	421,102
Net Current Liabilities		(203,767)	(214,311)
Total Assets less Current Liabilities		1,676,624	1,598,064

Condensed Consolidated Statement of Financial Position *(Continued)*

As at 31 December 2010

	<i>Notes</i>	Unaudited At 31 December 2010 HK\$'000	Audited At 30 June 2010 HK\$'000
			(restated)
Capital and Reserves			
Share capital	15	219,104	219,104
Reserves		1,325,358	1,255,209
Equity attributable to owners of the Company		1,544,462	1,474,313
Non-controlling interest		30,922	29,082
Total Equity		1,575,384	1,503,395
Non-current Liabilities			
Bank loans – due after one year	14	—	—
Deferred tax liabilities		101,240	94,669
		101,240	94,669
		1,676,624	1,598,064

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2010

	Attributable to owners of the Company									
	Share capital	Share premium	Capital			Other reserve	Retained profits	Total	Non-controlling interest	Total
			Special reserve	redemption reserve	Translation reserve					
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 30 June 2009 (audited)	219,104	426,608	55,018	1,644	219,566	92,451	416,293	1,430,684	27,790	1,458,474
Profit for the period	—	—	—	—	—	—	23,108	23,108	289	23,397
Exchange differences arising on translation	—	—	—	—	2,262	—	—	2,262	34	2,296
Total comprehensive income for the period	—	—	—	—	2,262	—	23,108	25,370	323	25,693
Cash dividends	—	—	—	—	—	—	(4,382)	(4,382)	—	(4,382)
At 31 December 2009 (unaudited)	219,104	426,608	55,018	1,644	221,828	92,451	435,019	1,451,672	28,113	1,479,785
At 30 June 2010 (audited)	219,104	426,608	55,018	1,644	235,438	92,451	444,050	1,474,313	29,082	1,503,395
Profit for the period	—	—	—	—	—	—	37,730	37,730	1,076	38,806
Exchange differences arising on translation	—	—	—	—	36,801	—	—	36,801	764	37,565
Total comprehensive income for the period	—	—	—	—	36,801	—	37,730	74,531	1,840	76,371
Cash dividends	—	—	—	—	—	—	(4,382)	(4,382)	—	(4,382)
At 31 December 2010 (unaudited)	219,104	426,608	55,018	1,644	272,239	92,451	477,398	1,544,462	30,922	1,575,384

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2010

	Unaudited Six months ended 31 December	
	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
NET CASH FROM OPERATING ACTIVITIES	40,376	50,210
NET CASH USED IN INVESTING ACTIVITIES	(3,794)	(1,280)
NET CASH USED IN FINANCING ACTIVITIES	(32,290)	(29,829)
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,292	19,101
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	126,976	144,445
EFFECT OF FOREIGN EXCHANGE RATE CHANGE	(2,997)	(447)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash	128,271	163,099

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2010

1. BASIS OF PREPARATION

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

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.

The condensed consolidated financial statements of the Group for the six months ended 31 December 2010 are unaudited and have been reviewed by the audit committee of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those applied in the preparation of the annual financial statements of the Group for the year ended 30 June 2010 except as described below.

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments or interpretations (“HK(IFRIC)-Int”) (collectively “HKFRSs”) issued by HKICPA.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Rights Issues
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments
Hong Kong Interpretation 5 (“HK Int 5”)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

For the six months ended 31 December 2010

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

HK Int 5 “Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause”

HK Int 5 “Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause” clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time (‘repayment on demand clause’) should be classified by the borrower as current liabilities. The Group has applied HK Int 5 for the first time in the current period. HK Int 5 requires retrospective application.

In order to comply with the requirements set out in HK Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans was determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK Int 5, term loans with a repayment on demand clause are classified as current liabilities.

As a result, bank loans that contain a repayment on demand clause with the aggregate carrying amounts of HK\$64,500,000 and HK\$275,500,000 have been reclassified from non-current liabilities to current liabilities as at 30 June 2010 and 1 July 2009 respectively. As at 31 December 2010, bank loan that is repayable more than one year after the end of the reporting period but contains a repayment on demand clause with the aggregate carrying amount was HK\$Nil. The application of HK Int 5 has had no impact on the reported profit or loss for the current and prior periods.

Certain comparative figures have been restated pursuant to the adoption of the new and revised HKFRSs retrospectively, which have no material effect on the overall results or financial position of the Group.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ²
HKAS 24 (Revised)	Related Party Disclosures ³
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ⁴
HKFRS 7 (Amendment)	Disclosures — Transfer of Financial Assets ⁴
HKFRS 9	Financial Instruments ⁵
HK(IFRIC)–Int 14 (Amendments)	Prepayments of Minimum Funding Requirement ³

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

² Effective for annual periods beginning on or after 1 January 2012

³ Effective for annual periods beginning on or after 1 January 2011

⁴ Effective for annual periods beginning on or after 1 July 2011

⁵ Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the potential impact of these standards, amendments and interpretations and the Directors so far concluded that the application of these standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

For the six months ended 31 December 2010

3. TURNOVER AND SEGMENT INFORMATION

In the period, segment information reported to the Directors is more specifically focused on the location of the properties for both property rental and sales activities. The Group's operating and reportable segments under HKFRS 8 are therefore the property rental in Beijing, property rental in Shanghai and property sales in Beijing in the People's Republic of China ("PRC").

The property rental segment includes property leasing operation in the PRC. The Group's investment properties portfolio which mainly consists of offices, shopping mall and carparks are located in Beijing and Shanghai. The properties sales segment includes sale of the Group's trading properties in Beijing.

The following is an analysis of the Group's revenue and results by reportable segment for the period:

	Property rental				Property sales		Consolidated	
	Beijing		Shanghai		Beijing			
	Unaudited							
	Six months ended 31 December							
	2010	2009	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER								
External sales	13,292	10,774	22,050	25,330	2,005	22,365	37,347	58,469
SEGMENT RESULT	24,235	2,085	23,721	25,688	2,015	7,152	49,971	34,925
Unallocated other income							7,086	6,544
Unallocated corporate expenses							(6,256)	(7,022)
Finance costs							(1,207)	(1,251)
Share of loss of a jointly controlled entity							(3,609)	(3,421)
Profit before taxation							45,985	29,775

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment result represents the profit earned or loss incurred from each segment without the allocation of central administration costs, bank interest income, imputed interest income on amount due from a jointly controlled entity, finance costs and share of result of a jointly controlled entity. This is the measure reported to the Directors for the purposes of resources allocation and performance assessment.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2010

3. TURNOVER AND SEGMENT INFORMATION (Continued)

Turnover arising from property rental of HK\$35,342,000 (2009 : from property sales of HK\$22,365,000) included turnover of approximately HK\$5,572,000 (2009 : HK\$10,779,000 from property sales) which was contributed by the Group's largest customer.

4. OTHER INCOME

	Unaudited	
	Six months ended 31 December	
	2010	2009
	HK\$'000	HK\$'000
Included in other income are:		
Bank interest income	200	572
Exchange gain, net	6,889	240
Gain in receivable for vendor's undertakings	—	1,347
Imputed interest income on other receivables	242	1,174
Imputed interest income on amount due from a jointly controlled entity	6,509	6,384

5. DEPRECIATION AND AMORTISATION

	Unaudited	
	Six months ended 31 December	
	2010	2009
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging the following items:		
Depreciation	317	394
Amortisation	—	—

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2010

6. FINANCE COSTS

	Unaudited Six months ended 31 December	
	2010 HK\$'000	2009 HK\$'000
Interest on bank borrowings wholly repayable within five years	1,207	1,129
Imputed interest expense on amount due to a related company	—	122
	1,207	1,251

7. TAXATION

	Unaudited Six months ended 31 December	
	2010 HK\$'000	2009 HK\$'000
The tax charge comprises:		
Income tax elsewhere in the PRC		
Current period	3,233	5,948
PRC land appreciation tax ("LAT")	—	890
Deferred tax liabilities		
Current period charge (credit)	3,946	(460)
	7,179	6,378

PRC enterprise income tax and LAT are calculated at the rates prevailing in the PRC.

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

8. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share attributable to owners of the Company is based on the profit attributable to owners of the Company of HK\$37,730,000 (2009 : HK\$23,108,000) for the period and on 219,103,681 (2009 : 219,103,681) ordinary shares in issue throughout the period.

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 31 December 2010

9. DIVIDENDS

	Unaudited Six months ended 31 December	
	2010 HK\$'000	2009 HK\$'000
Final dividend paid in respect of year ended 30 June 2010 of 2 Hong Kong cents (2009: 2 Hong Kong cents) per share	4,382	4,382
Interim dividend declared in respect of six months ended 31 December 2010 of 2 Hong Kong cents (2009: 2 Hong Kong cents) per share	4,382	4,382
	8,764	8,764

10. INVESTMENT PROPERTIES

	HK\$'000
FAIR VALUE	
At 30 June 2010 (audited)	1,535,437
Exchange realignment	39,057
Increase in fair value	21,642
At 31 December 2010 (unaudited)	1,596,136

The fair value of the Group's investment properties as at 31 December 2010 and 2009 has been arrived at on the basis of valuations carried out on that dates by Savills Valuation and Professional Services Limited, an independent firm of qualified professional valuers not connected with the Group. Savills Valuation and Professional Services Limited is a member of the Hong Kong Institute of Surveyors. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The revaluation gave rise to a net gain arising from increase in fair value of HK\$21,642,000 (2009: HK\$Nil) which has been credited to profit or loss. All the investment properties are situated in the PRC under medium-term lease.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2010

11. INTEREST IN AND AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

	Unaudited At 31 December 2010 HK\$'000	Audited At 30 June 2010 HK\$'000
Cost of investment, unlisted	69,969	69,984
Share of post-acquisition loss and reserves	(18,136)	(14,527)
	51,833	55,457
Amount due from a jointly controlled entity	237,117	225,196
Less: Allowance for interest receivable	(7,370)	(7,370)
	229,747	217,826

The amount due from a jointly controlled entity is unsecured and repayable after the next twelve months from the end of reporting period. The amount is carried at amortised cost at an effective interest rate of 6% (2009 : 6%) per annum. For the six months ended 31 December 2010, the amount was partially impaired in respect of the interest receivable of HK\$7,370,000 (2009 : HK\$7,370,000).

A summarised financial information in respect of the Group's jointly controlled entity which is accounted for using the equity method is set out below:

	Unaudited At 31 December 2010 HK\$'000	Audited At 30 June 2010 HK\$'000
Non-current assets (<i>note</i>)	250,080	246,417
Current assets	42,273	40,024
Current liabilities	(11,352)	(11,493)
Non-current liabilities	(229,747)	(217,826)
	51,254	57,122

11. INTEREST IN AND AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY (Continued)

	Unaudited	
	Six months ended 31 December	
	2010	2009
	HK\$'000	HK\$'000
Income recognised in profit or loss	3,786	3,772
Expenses recognised in profit or loss	10,870	10,423
Other comprehensive income	1,327	118

Note: The assets include properties held for development which represent prepaid lease payments of land use rights and direct reclamation costs for a piece of land situated at Tung Kok Tau in Shenzhen, the PRC with the land use right. The jointly controlled entity has paid all land premium and is in the process of negotiating with relevant government authorities for redevelopment due to the re-zoning and re-planning of the city on which the properties are located.

12. TRADE AND OTHER RECEIVABLES

At 31 December 2010, the balance of other receivables included receivables from home buyers who defaulted on repayment to banks, representing the loans taken over by the Group, of HK\$946,000 (30 June 2010: HK\$2,997,000) with collateral of properties and are measured at amortised cost at an effective interest rate of 5.85% (30 June 2010: 5.85%). For property sales, other than home loans, the Group allows an average credit period of 30 days (30 June 2010: 30 days) to its customers. Rental receivable from tenants and service income receivables from customers are payable on presentation of invoices. The following is an aged analysis of trade receivables, net of allowance for doubtful debt presented based on invoice date at the end of the reporting period:

	Unaudited	Audited
	At	At
	31 December	30 June
	2010	2010
	HK\$'000	HK\$'000
0 – 60 days	13,202	11,132
61 – 90 days	4	78
Over 90 days	141	21
	13,347	11,231

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2010

12. TRADE AND OTHER RECEIVABLES (Continued)

Before accepting any new customer, the Group carries out assessment on the creditability of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly. 99% (30 June 2010: 98%) of the trade receivables are neither past due nor impaired and have good settlement repayment history.

Included in the Group's trade receivable balance are debtors with a carrying amount of HK\$2,820,000 (30 June 2010 : HK\$172,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. There has not been a significant change in credit quality and the management considers that the amounts are still recoverable. The Group does not hold any collateral over these balances. The average overdue age of these receivables is 58 days (30 June 2010 : 82 days) overdue.

13. TRADE AND OTHER PAYABLES

At 31 December 2010, the balance of trade and other payables included trade payables of HK\$3,150,000 (30 June 2010 : HK\$2,443,000). The following is an aged analysis of trade payables based on the invoice date at the end of the reporting period:

	Unaudited At 31 December 2010 HK\$'000	Audited At 30 June 2010 HK\$'000
0 – 60 days	957	304
Over 60 days	2,193	2,139
	3,150	2,443

The other payables mainly include rental deposits of HK\$21,469,000 (30 June 2010 : HK\$19,298,000) and receipt in advance of HK\$5,621,000 (30 June 2010 : HK\$3,419,000).

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2010

14. BANK LOANS

	Unaudited At 31 December 2010 HK\$'000	Audited At 30 June 2010 HK\$'000
		(restated)
Secured	253,300	275,500
Unsecured	5,500	10,000
	258,800	285,500
The bank loans were repayable as follows:		
Within one year or on demand	258,800	285,500
More than one year, but not exceeding two years	—	—
More than two years, but not exceeding five years	—	—
	258,800	285,500
Less: Amount repayable within one year shown under current liabilities	(258,800)	(285,500)
Amount due after one year	—	—

The bank loans are secured by the investment properties situated in Shanghai, the PRC and are denominated in Hong Kong dollars.

The loans carried interest at variable rates ranging from 0.61% to 1% (2009: 0.61% to 0.8%) over Hong Kong Interbank Offered Rate.

15. SHARE CAPITAL

	Number of shares		Amount	
	Unaudited At 31 December 2010	Audited At 30 June 2010	Unaudited At 31 December 2010 HK\$'000	Audited At 30 June 2010 HK\$'000
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

For the six months ended 31 December 2010

16. SHARE OPTION SCHEME

The Company adopted a share option scheme on 21 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 20 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 the 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.

No share option was granted to nor 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 31 December 2010 and 30 June 2010.

17. CONTINGENT LIABILITIES

The Group has given guarantees in respect of the settlement of home loans provided by banks to the home buyers of a property project in Beijing, the PRC. At 31 December 2010, the Group had given guarantees in respect of such home loans of HK\$98,182,000 (30 June 2010: HK\$123,484,000). The Directors consider that the fair values of these financial guarantee contracts at their initial recognition and at the end of the reporting period are insignificant on the basis of the low loan to value ratio.

18. RELATED PARTY TRANSACTIONS

Other than the amounts due from a jointly controlled entity and amount due to a related company as shown in the condensed consolidated statement of financial position, the Group has entered into the following transactions with related companies during the period:

	Unaudited Six months ended 31 December	
	2010 HK\$’000	2009 HK\$’000
Gain in receivable for vendor’s undertakings	—	1,347
Rental and management fees paid	1,906	1,277
Consultancy service fees paid	847	704

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2010

18. RELATED PARTY TRANSACTIONS (Continued)

Other outstanding balances with the following related companies, which were unsecured, interest free and repayable on demand, at 31 December 2010 and 30 June 2010 are as follows:

	Unaudited At 31 December 2010 HK\$'000	Audited At 30 June 2010 HK\$'000
Deposits due from related companies included in trade and other receivables	345	317
Amounts due from related companies included in trade and other receivables	872	193
Amount due to a related company included in trade and other payables	730	746

The related companies are companies in which certain Directors have equity interests in these companies that give them significant influence over these companies.

The Group's key management personnel are all Directors, whose remuneration, all in short-term employee benefits, during the period amounted to HK\$1,190,000 (2009: HK\$1,227,000).

Proforma Combined Balance Sheet of Affiliated Company

Details of advances given to an affiliated company as at 31 December 2010, which exceeded 8% under the assets ratio as defined under rule 13.16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) are as follows:

Affiliated company	Percentage of equity held by the Group	Amount of advances <i>HK\$'000</i>
Shenzhen Zhen Wah Harbour Enterprises Ltd. (“ Zhen Wah ”)	49%	229,747

The advances to Zhen Wah by the Group have been accounted for as amount due from a jointly controlled entity, details of which are disclosed in note 11 to the condensed consolidated financial statements.

The amount of advances are unsecured and re-payable after the next twelve months from the end of the reporting period.

Pursuant to the continuing disclosure requirements under rule 13.22 of the Listing Rules, the proforma combined balance sheet of Zhen Wah and the attributable interest of the Group in Zhen Wah as at 31 December 2010 are disclosed as follows:

Proforma combined balance sheet of the affiliated company

	Proforma combined balance sheet <i>HK\$'000</i>	Group's attributable interest <i>HK\$'000</i>
Non-current assets (<i>note</i>)	250,080	122,539
Current assets	42,273	20,714
Current liabilities	(11,352)	(5,562)
Non-current liabilities	(229,747)	(112,577)
Net assets	51,254	25,114

Note: The assets include properties held for development which represent prepaid lease payments of land use rights and direct reclamation costs for a piece of land situated at Tung Kok Tau in Shenzhen, the People's Republic of China with the land use right. Zhen Wah has paid all land premium and is in the process of negotiating with relevant government authorities for redevelopment due to the re-zoning and re-planning of the city on which the properties are located.