

2004-2005  
INTERIM REPORT  
中 期 報 告



**DYNAMIC HOLDINGS LIMITED**

**達力集團有限公司**

*(Incorporated in Bermuda with limited liability)*

*(在百慕達註冊成立之有限公司)*



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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/Audit Committee*  
CHONG Kim Chan, Kenneth  
SY Robin  
MAK Kwai Wing, Alexander

### COMPANY SECRETARY

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

### STOCK CODE

029

### SHARE REGISTRARS

*Principal Share Registrars*

Butterfield Fund Services  
(Bermuda) Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke  
Bermuda

*Branch Share Registrars*

Tengis Limited  
Ground Floor  
BEA Harbour View Centre  
56 Gloucester Road  
Wanchai  
Hong Kong Special  
Administrative Region

### 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 Special  
Administrative Region

### 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, 2004.

### INTERIM RESULTS

For the six months ended 31st December, 2004, the Group recorded a turnover of HK\$82,876,000, compared to HK\$197,184,000 for the last corresponding period. This decrease was attributable to the drop of revenue (by about HK\$116,726,000) from property sales of Chaoyang Garden in Beijing, as most of the residential units in its first and second phases has been sold and the result thereof having been reflected in the last financial year.

The Group’s gross profit for the period amounted to HK\$23,802,000 and profit from operations was HK\$14,875,000, showing a decrease of 29% and 33% respectively as compared to those of the last corresponding period.

The net profit for the period was HK\$12,078,000 showing the earnings per share of 5.51 Hong Kong cents, representing a fall of 34% as against the last corresponding period.

### SEGMENTAL INFORMATION

Details of the segmental information of the Group’s turnover and contribution to profit from operations by principal activity and geographical location of operations for the period are set out in note 2 to the condensed financial statements.

# Management Statement *(Continued)*

## INTERIM DIVIDEND

The Directors have declared an interim dividend of 2 Hong Kong cents (2003: 2 Hong Kong cents) per share for the six months ended 31st December, 2004 to all shareholders whose names appear on the register of members of the Company on 22nd April, 2005. The dividend warrants are expected to be despatched to those entitled on or about 6th May, 2005.

## BUSINESS REVIEW

### **Chaoyang Garden/The Sun Crest**

In Beijing, the high-end property market remained robust during the period under review. Chaoyang Garden recorded another HK\$59,308,000 in sales representing most of the remaining units of Phase II. With little that was left from Phase II and with the final phase only now coming on stream, the Group's overall sales during the period dropped about 66% as compared to the last corresponding period.

Pre-sales of Phase III started earlier this month and public response was encouraging.

### **Dynamic Cargo Center**

In the period under review, occupancy of Dynamic Cargo Center reached around 95% and rental income showed an increase of about 10%. In general, the Group's cargo center has regained its leasing level of 2001–2002.

### **Tung Kok Tau**

A continued growth in demand for logistics support has brought about an increase of income from port operations in Tung Kok Tau, Shekou of about 14% with the operating profits showing a significant increase of about 121%.

## Management Statement (Continued)

### FINANCIAL REVIEW

The financial position of the Group remains sound and liquid. At 31st December, 2004, the total shareholders' fund of the Group amounted to HK\$757,096,000 (30th June, 2004: HK\$749,400,000) with net asset value per share of HK\$3.46 (30th June, 2004: HK\$3.42). Total borrowings of the Group, both secured and unsecured, were about HK\$262,233,000 (30th June, 2004: HK\$268,168,000) as at 31st December, 2004, which were in Hong Kong and United States dollars and repayable within two years at average interest rate of about 2.7% (30th June, 2004: 2.2%) per annum. As at 31st December, 2004, the gearing ratio of the Group was about 23% (30th June, 2004: 20%) based on the Group's net debt (after deducting bank balances and cash) to its shareholders' equity. The extent of credit facilities unutilised by the Group as at 31st December, 2004 amounted to HK\$89,435,000 (30th June, 2004: HK\$86,306,600), of which HK\$15,000,000 (30th June, 2004: HK\$9,500,000) was banking facilities and HK\$74,435,000 (30th June, 2004: HK\$76,806,600) was a credit facility provided by a related company.

As at 31st December, 2004, the Group pledged certain of its assets (including investment properties with an aggregate carrying value of HK\$420,000,000) to financial institutions as security against general banking facilities granted to the Group, and also pledged its bank deposits of HK\$23,559,000 (30th June, 2004: HK\$21,488,000) 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\$172,854,000 (30th June, 2004: HK\$175,073,000). 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 PRC. At 31st December, 2004, the Group and the Company had a maximum amount of mortgage loans which were subject to these guarantees of HK\$708,299,000 (30th June, 2004: HK\$704,060,000) and HK\$38,873,000 (30th June, 2004: HK\$39,000,000) respectively.

## Management Statement *(Continued)*

### FINANCIAL REVIEW *(Continued)*

In the period, sufficient cashflow was generated by sales proceeds of Chaoyang Garden/The Sun Crest, rental income of Dynamic Cargo Center and revenue of port operations. As at 31st December, 2004, the Group's bank balances and cash stood at HK\$86,179,000 (30th June, 2004: HK\$119,734,000) denominated primarily in Renminbi yuans. No significant exposure to foreign currency fluctuations affected the Group in the period under review. The funding requirements for development projects of Chaoyang Garden 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, 2004, the Group had about 160 employees in Hong Kong and the Mainland at prevailing market remunerations with employee benefits such as medical insurance, provident fund schemes and share option scheme.

### PROSPECTS

In Beijing, the tightening of control over new development has eased competition and demands for residential and commercial units remain strong. The Group expects that the sales of Phase III will be on target.

In Hong Kong, the warehousing sector is experiencing a revival of demand due to growth in re-export trade and shortage of new warehousing development. It is expected that rental will continue to follow a steady upward trend.

Shenzhen official re-planning of the Western Corridor Coastal area involving the Group's site has been delayed. In the meantime, talks with the Chinese joint venture partner are continuing.

## Management Statement (Continued)

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 18th April, 2005 to Friday, 22nd April, 2005, 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 Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 15th April, 2005.

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31st December, 2004, the interests of the Directors 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.*

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, 2004; or would 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 (the "Stock Exchange").



## Management Statement *(Continued)*

### SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2004, 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:

<b>Name of shareholder</b>	<b>Number of issued ordinary shares held (long position)</b>	<b>Percentage of the issued share capital of the Company</b>
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, 2004.

### CORPORATE GOVERNANCE

The Company has complied throughout the six months ended 31st December, 2004 with the Code of Best Practice as set out in the old Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The Company has adopted a code of conduct regarding securities transactions by Directors as set out in Appendix 10 to the Listing Rules and all Directors have complied with the required standard of dealings set out therein during the relevant accounting period.

## Management Statement *(Continued)*

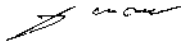
### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

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 this interim report.

By Order of the Board



**PANG Kit Man, John**

*Director and Chief Executive Officer*

Hong Kong, 18th March, 2005

## Condensed Consolidated Income Statement

For the six months ended 31st December, 2004

	<i>Notes</i>	<b>Unaudited Six months ended 31st December,</b>	
		<b>2004 HK\$'000</b>	2003 HK\$'000
Turnover	2	<b>82,876</b>	197,184
Cost of sales		<b>(59,074)</b>	(163,661)
Gross profit		<b>23,802</b>	33,523
Other operating income	3	<b>2,268</b>	1,657
Administrative expenses	4	<b>(11,195)</b>	(13,130)
Profit from operations		<b>14,875</b>	22,050
Finance costs	5	<b>(71)</b>	(573)
Profit before taxation		<b>14,804</b>	21,477
Taxation	6	<b>(1,708)</b>	(1,931)
Profit for the period		<b>13,096</b>	19,546
Minority interests		<b>(1,018)</b>	(1,144)
Net profit for the period		<b>12,078</b>	18,402
Dividend	7	<b>4,382</b>	4,382
Basic earnings per share ( <i>Hong Kong cents</i> )	8	<b>5.51</b>	8.40

# Condensed Consolidated Balance Sheet

At 31st December, 2004

<i>Notes</i>	<b>Unaudited At 31st December, 2004 HK\$'000</b>	<b>Audited At 30th June, 2004 HK\$'000</b>
<b>Non-current Assets</b>		
	<b>13,574</b>	13,541
Property, plant and equipment		
	<b>420,000</b>	420,000
Investment properties		
	<b>202,271</b>	200,195
Properties held for development		
	<b>161</b>	161
Goodwill		
Loan receivables		
— due after one year	<b>11,304</b>	14,729
	<b>647,310</b>	648,626
<b>Current Assets</b>		
	<b>199,171</b>	138,079
Properties under development		
	<b>161,824</b>	202,420
Properties held for sale		
Loan receivables		
— due within one year	<b>8,503</b>	10,550
Trade and other receivables	<b>26,390</b>	24,330
9		
Amounts due from minority shareholders	<b>4,973</b>	4,922
Tax recoverable	<b>11,792</b>	7,727
Bank deposits — pledged	<b>23,559</b>	21,488
Bank balances and cash	<b>86,179</b>	119,734
	<b>522,391</b>	529,250
<b>Current Liabilities</b>		
	<b>92,314</b>	90,944
Trade and other payables	<b>18,408</b>	32,430
10		
Pre-sale deposits received	<b>692</b>	340
Tax liabilities		
Bank loans		
— due within one year	<b>27,936</b>	24,937
11		
	<b>139,350</b>	148,651
<b>Net Current Assets</b>		
	<b>383,041</b>	380,599
<b>Total Assets less Current Liabilities</b>		
	<b>1,030,351</b>	1,029,225

# Condensed Consolidated Balance Sheet *(Continued)*

At 31st December, 2004

	<i>Notes</i>	<b>Unaudited At 31st December, 2004 HK\$'000</b>	<b>Audited At 30th June, 2004 HK\$'000</b>
<b>Capital and Reserves</b>			
Share capital	<i>12</i>	<b>219,104</b>	219,104
Reserves		<b>537,992</b>	530,296
		<b>757,096</b>	749,400
<b>Minority Interests</b>			
		<b>29,164</b>	28,146
<b>Non-current Liabilities</b>			
Bank loans			
— due after one year	<i>11</i>	<b>129,918</b>	140,636
Other payable			
— due after one year		<b>493</b>	493
Loan from a related company		<b>104,379</b>	102,595
Deferred tax liabilities		<b>9,301</b>	7,955
		<b>244,091</b>	251,679
		<b>1,030,351</b>	1,029,225

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 31st December, 2004

	Share capital	Share premium	Special reserve	Negative goodwill	Capital redemption reserve	Translation reserve	Statutory reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 30th June, 2003 (audited)									
As originally stated	219,104	426,608	55,018	3,178	1,644	(2,428)	721	24,614	728,459
Prior period adjustment (Note 1)	—	—	—	—	—	—	—	4,651	4,651
As restated	219,104	426,608	55,018	3,178	1,644	(2,428)	721	29,265	733,110
Exchange difference arising on translation of overseas operations not recognised in the income statement	—	—	—	—	—	(711)	—	—	(711)
Net profit for the period	—	—	—	—	—	—	—	18,402	18,402
Cash dividend	—	—	—	—	—	—	—	(4,382)	(4,382)
At 31st December, 2003 (unaudited)	219,104	426,608	55,018	3,178	1,644	(3,139)	721	43,285	746,419
At 30th June, 2004 (audited)	219,104	426,608	55,018	3,178	1,644	(2,428)	721	45,555	749,400
Net profit for the period	—	—	—	—	—	—	—	12,078	12,078
Cash dividend	—	—	—	—	—	—	—	(4,382)	(4,382)
<b>At 31st December, 2004 (unaudited)</b>	<b>219,104</b>	<b>426,608</b>	<b>55,018</b>	<b>3,178</b>	<b>1,644</b>	<b>(2,428)</b>	<b>721</b>	<b>53,251</b>	<b>757,096</b>

## Condensed Consolidated Cash Flow Statement

For the six months ended 31st December, 2004

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>31st December,</b>	
	<b>2004</b>	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash from operating activities	<b>35,960</b>	110,739
Net cash used in investing activities	<b>(60,139)</b>	(194,686)
Net cash (used in) from financing activities	<b>(9,376)</b>	170,595
Net (decrease) increase in cash and cash equivalents	<b>(33,555)</b>	86,648
Cash and cash equivalents at beginning of the period	<b>119,734</b>	50,433
Cash and cash equivalents at end of the period	<b>86,179</b>	137,081
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	<b>86,179</b>	137,081

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31st December, 2004

### 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the 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 the Statement of Standard Accounting Practice (“SSAP”) No. 25 “interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies adopted are consistent with those adopted in the annual financial statements of the Group for the year ended 30th June, 2004. In the prior period, prior period adjustment was made as a result of the Group’s adoption of the revised SSAP 12 “Income Taxes” to account for its deferred tax.

These condensed consolidated financial statements of the Group for the six months ended 31st December, 2004 are unaudited and have been reviewed by the Audit Committee of the Company.

### 2. 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, 2004

## 2. 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,							
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>TURNOVER</b>								
External sales	59,308	176,034	14,733	13,375	8,835	7,775	82,876	197,184
<b>SEGMENT RESULT</b>	3,932	12,932	13,461	12,258	2,740	1,241	20,133	26,431
Unallocated other operating income							—	1,037
Unallocated corporate expenses							(5,258)	(5,418)
Profit from operations							14,875	22,050
Finance costs							(71)	(573)
Profit before taxation							14,804	21,477
Taxation							(1,708)	(1,931)
Profit for the period							13,096	19,546
Minority interests							(1,018)	(1,144)
Net profit for the period							12,078	18,402

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

For the six months ended 31st December, 2004

### 2. 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 from operations	
	Unaudited			
	Six months ended 31st December,			
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong Special Administrative Region ("Hong Kong")	14,733	13,375	13,461	12,258
Other regions in the People's Republic of China ("PRC")	68,143	183,809	6,672	14,173
	<b>82,876</b>	197,184	<b>20,133</b>	26,431
Unallocated other operating income			—	1,037
Unallocated corporate expenses			(5,258)	(5,418)
Profit from operations			<b>14,875</b>	22,050

### 3. OTHER OPERATING INCOME

	Unaudited Six months ended 31st December,	
	2004 HK\$'000	2003 HK\$'000
Bank interest income	1,041	376
Bad debt recovered	—	1,027
Sundry income	1,227	254
	<b>2,268</b>	1,657

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

For the six months ended 31st December, 2004

**4. DEPRECIATION AND AMORTIZATION**

	<b>Unaudited Six months ended 31st December,</b>	
	<b>2004 HK\$'000</b>	<b>2003 HK\$'000</b>
Profit from operations has been arrived at after charging:		
Amortization of goodwill (included in administrative expenses)	—	571
Depreciation	<b>805</b>	749
Less: Amount capitalised and included in properties under development	<b>(210)</b>	(251)
	<b>595</b>	498

**5. FINANCE COSTS**

	<b>Unaudited Six months ended 31st December,</b>	
	<b>2004 HK\$'000</b>	<b>2003 HK\$'000</b>
Interest on bank borrowings wholly repayable within five years	<b>1,199</b>	2,599
Less: Amount capitalised and included in properties under development by applying a capitalisation rate of 4.7% (2003: 4.0%) to expenditure on qualifying assets	<b>(1,128)</b>	(2,026)
Interest on loan from a related company wholly repayable within five years	<b>2,076</b>	—
Less: Amount capitalised and included in properties held for development by applying a capitalisation rate of 3.9% (2003: Nil) to expenditure on qualifying assets	<b>(2,076)</b>	—
	<b>71</b>	573

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

For the six months ended 31st December, 2004

### 6. TAXATION

	<b>Unaudited Six months ended 31st December,</b>	
	<b>2004 HK\$'000</b>	2003 HK\$'000
The tax charge comprises:		
Hong Kong Profits Tax		
Overprovision in prior years	(4)	—
PRC Income Tax		
Current period	2,363	3,838
Overprovision in prior years	(1,997)	(3,237)
Deferred Tax		
Current period	1,346	1,330
	<b>1,708</b>	<b>1,931</b>

No Hong Kong Profits Tax is provided as there is no estimated assessable profit for 2004 and 2003.

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.

### 7. DIVIDEND

On 14th January, 2005, a final dividend of 2 Hong Kong cents (2003: 2 Hong Kong cents) per share was paid to the Company's shareholders as a final dividend for the year ended 30th June, 2004.

The Directors have declared an interim dividend of 2 Hong Kong cents (2003: 2 Hong Kong cents) per share for the six months ended 31st December, 2004 to all shareholders whose names appear on the register of members of the Company on 22nd April, 2005.

### 8. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on net profit of HK\$12,078,000 (2003: HK\$18,402,000) for the period and on 219,103,681 (2003: 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.

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

For the six months ended 31st December, 2004

### 9. TRADE AND OTHER RECEIVABLES

At 31st December, 2004, the balance of trade and other receivables included trade receivables of HK\$1,776,000 (30th June, 2004: HK\$4,110,000). 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:

	<b>Unaudited At 31st December, 2004 HK\$'000</b>	<b>Audited At 30th June, 2004 HK\$'000</b>
0 – 60 days	658	3,020
61 – 90 days	17	18
Over 90 days	1,101	1,072
	<b>1,776</b>	<b>4,110</b>

### 10. TRADE AND OTHER PAYABLES

At 31st December, 2004, the balance of trade and other payables included trade payables of HK\$29,443,000 (30th June, 2004: HK\$32,972,000). The aged analysis of trade payables is as follows:

	<b>Unaudited At 31st December, 2004 HK\$'000</b>	<b>Audited At 30th June, 2004 HK\$'000</b>
0 – 60 days	11,840	17,733
61 – 90 days	5,512	—
Over 90 days	12,091	15,239
	<b>29,443</b>	<b>32,972</b>

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

For the six months ended 31st December, 2004

**11. BANK LOANS**

	<b>Unaudited At 31st December, 2004 HK\$'000</b>	<b>Audited At 30th June, 2004 HK\$'000</b>
The bank loans are repayable as follows:		
Within one year or on demand	27,936	24,937
More than one year, but not exceeding two years	129,918	140,636
	<b>157,854</b>	165,573
Less: Amount repayable within one year shown under current liabilities	(27,936)	(24,937)
	<b>129,918</b>	140,636
Secured	150,400	158,300
Unsecured	7,454	7,273
	<b>157,854</b>	165,573

The loans bear average interest rate of about 1.0% (30th June, 2004: 1.0%) over Hong Kong Interbank Offered Rate per annum and are repayable either in instalments or in one lump sum within two years.

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

For the six months ended 31st December, 2004

### 12. SHARE CAPITAL

	Number of shares		Amount	
	Unaudited At 31st December, 2004	Audited At 30th June, 2004	Unaudited At 31st December, 2004 <i>HK\$'000</i>	Audited At 30th June, 2004 <i>HK\$'000</i>
Ordinary shares of HK\$1.00 each Authorised	<b>300,000,000</b>	300,000,000	<b>300,000</b>	300,000
Issued	<b>219,103,681</b>	219,103,681	<b>219,104</b>	219,104

### 13. 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 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 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, 2004 and 31st December, 2003.

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

For the six months ended 31st December, 2004

**14. CONTINGENT LIABILITIES**

	<b>The Company</b>	
	<b>Unaudited At 31st December, 2004 HK\$'000</b>	<b>Audited At 30th June, 2004 HK\$'000</b>
Guarantees given to financial institutions in respect of banking facilities granted to subsidiaries	<b>172,854</b>	175,073

The extent of such facilities utilised and unutilised by the subsidiaries at 31st December, 2004 amounted to approximately HK\$157,854,000 (30th June, 2004: HK\$165,573,000) and HK\$15,000,000 (30th June, 2004: HK\$9,500,000).

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, 2004, the Group and the Company had a maximum amount of mortgage loans which were subject to these guarantees of HK\$708,299,000 (30th June, 2004: HK\$704,060,000) and HK\$38,873,000 (30th June, 2004: HK\$39,000,000), respectively.

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. 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 (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 liability has been made in the financial statements.



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

For the six months ended 31st December, 2004

### 15. RELATED PARTY TRANSACTIONS

During the period, the Group has entered into the following transactions with related companies:

	<b>Unaudited Six months ended 31st December,</b>	
	<b>2004 HK\$'000</b>	2003 HK\$'000
Rental income received <i>(Note a)</i>	82	74
Rental and management fees paid <i>(Note a)</i>	693	693
Consultancy service fees paid <i>(Note a)</i>	500	—
Finance costs and charge paid <i>(Note a)</i>	2,121	—

The outstanding balances with these related companies and minority shareholders at 31st December, 2004 were as follows:

	<b>Unaudited At 31st December, 2004 HK\$'000</b>	Audited At 30th June, 2004 HK\$'000
Amounts due from related companies included in trade and other receivables <i>(Note b)</i>	3,045	1,951
Amounts due from minority shareholders <i>(Note b)</i>	4,973	4,922
Amounts due to related companies included in trade and other payables <i>(Note b)</i>	547	652

*Notes:*

- a. The transactions were carried out based on the contractual agreements made between both parties and were at market price.*
- b. The amounts are unsecured, interest free and repayable on demand.*

The related companies are companies in which certain Directors have common directorship.