



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)

Stock Code 股份代號: 29

2006-2007 中期報告

INTERIM REPORT





Contents

2	Corporate Information
3	Management Statement
10	Condensed Consolidated Income Statement
11	Condensed Consolidated Balance Sheet
13	Condensed Consolidated Statement of Changes in Equity
14	Condensed Consolidated Cash Flow Statement
15	Notes to the Condensed Consolidated Financial Statements

Corporate Information

DIRECTORS

Executive Directors

CHUA Domingo, *Chairman*

CHAN Wing Kit, Frank,
Chief Executive Officer

TANENGLIAN Mariano Chua

TAN Lucio Jr. Khao

CHEUNG Chi Ming

PASCUAL Ramon Sy

Independent Non-executive Directors

CHONG Kim Chan, Kenneth

SY Robin

SALAZAR Lourdes Apostol

AUDIT COMMITTEE

CHONG Kim Chan, Kenneth, *Chairman*

SY Robin

SALAZAR Lourdes Apostol

REMUNERATION COMMITTEE

CHUA Domingo

CHAN Wing Kit, Frank

CHONG Kim Chan, Kenneth

SY Robin

SALAZAR Lourdes Apostol

COMPANY SECRETARY

WONG Oi Yee, Polly

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Deacons

Appleby Hunter Bailhache

PRINCIPAL BANKERS

Hang Seng Bank Limited

Industrial and Commercial Bank

of China (Asia) Limited

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 HM 08

Bermuda

Branch Share Registrars

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 1313, Shenzhen Kerry Centre

2008 Renminnan Road, Shenzhen

The People's Republic of China

WEBSITE

<http://www.dynamic.hk>

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 2006.

INTERIM RESULTS

For the six months ended 31 December 2006, the turnover of the Group totalled HK\$87,921,000 as compared with HK\$107,992,000 for the last corresponding period. Despite the drop of turnover which was mainly due to the fact that most of the sales proceeds of commercial apartments in Beijing were accounted for in the last corresponding period, the gross profit of the Group for the period was HK\$36,181,000, as compared with HK\$32,336,000 for the last corresponding period. The profit of the Group for the period amounted to HK\$14,407,000 as compared with HK\$143,796,000 for the last corresponding period, during which a capital gain of HK\$126,000,000 on the disposal of properties in a cargo centre in Hong Kong was recorded. Earnings per share were 6.12 Hong Kong cents as compared to 6.54 Hong Kong cents for the last corresponding period excluding the effect of capital gain.

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 3 Hong Kong cents (2005: 2 Hong Kong cents) per share for the six months ended 31 December 2006 to all shareholders whose names appear on the register of members of the Company on 20 April 2007. The dividend warrants are expected to be despatched to those entitled on or about 4 May 2007.

BUSINESS REVIEW

During the period under review, the Group entered into an interim period of consolidation and adjustment after a series of acquisition and disposal activities during the 2005–2006 financial year, in which the Group had strategically converted its major Hong Kong Dollar assets into RMB-based assets. In September 2006, the high-quality office units of 14 storeys situated in Eton Place in Shanghai were duly delivered to the Group with annual gross rental yield of 8% guaranteed by the vendor for the next three years.



Management Statement *(Continued)*

BUSINESS REVIEW *(Continued)*

During this period, attention of the management of the Group had been focused on the leasing of the Group's properties in the "Uptown" shopping mall in Beijing as well as the office spaces at Eton Place in Shanghai with the aim to achieving target rental. Overall, progress of leasing had been satisfactory with about 80% of the floor spaces in the shopping mall and most office spaces in Eton Place having been taken up on schedule.

Port operations at Tung Kok Tau continued on a reducing scale in preparation for preliminary redevelopment. The initial hearing of the international arbitration as to the disputes over the equity interests in the relevant joint venture was held.

FINANCIAL REVIEW

Financial Resources and Liquidity

The financial position of the Group remains sound and liquid, and its financing and treasury policies are managed and controlled at the corporate level and prudent manner. At 31 December 2006, the equity attributable to equity holders of the parent amounted to HK\$1,062,634,000 (30 June 2006: HK\$1,026,627,000) with net asset value per share of HK\$4.85 (30 June 2006: HK\$4.69). Total borrowings of the Group were secured in the amount of about HK\$395,500,000 (30 June 2006: nil) as at 31 December 2006, which were in Hong Kong dollars and repayable within 5 years on floating rate basis. As at 31 December 2006, the gearing ratio of the Group was about 30% (30 June 2006: nil) based on the Group's net debt (after deducting bank balance and cash) to its equity attributable to equity holders of the parent. With sufficient cashflow in the period, the Group maintained un-utilised credit facilities of HK\$11,000,000 (30 June 2006: HK\$11,000,000) as working capital at floating interest rate as at 31 December 2006.

In the period, sufficient cashflow was generated by sales proceeds of properties in Beijing, rental income of office areas in Shanghai as well as revenue of port operations in Shenzhen. As at 31 December 2006, the Group's bank balances and cash stood at HK\$76,562,000 (30 June 2006: HK\$97,736,000) denominated primarily in Renminbi yuans and Hong Kong dollars. No significant exposure to foreign currency fluctuations affected the Group in the period under review, other than appreciation effect of Renminbi yuans on income and properties of the Group, which were all in Renminbi yuans. No financial instruments were used for hedging purpose.

Management Statement *(Continued)*

FINANCIAL REVIEW *(Continued)*

Financial Resources and Liquidity *(Continued)*

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

Charges on Assets and Contingent Liabilities

As at 31 December 2006, the Group pledged its properties with a total carrying value of HK\$873,919,000 (30 June 2006: nil) to financial institutions as security against general banking facilities granted to the Group, and also pledged its bank deposits of HK\$20,328,000 (30 June 2006: HK\$16,804,000) to banks to secure mortgage bank loans granted to the home buyers. 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 the PRC. At 31 December 2006, the Group had a maximum amount of such home loans which were subject to these guarantees of HK\$375,110,000 (30 June 2006: HK\$402,216,000). And these guarantees given by the Group has been accounted as financial guarantee contracts in the condensed consolidated balance sheet pursuant to the adoption of HKAS 39 and HKFRS 4 (Amendment) “Financial guarantee contracts”.

EMPLOYEES

At 31 December 2006, the Group had about 120 employees in Hong Kong and Mainland China at prevailing market remunerations with employee benefits such as medical insurance, provident fund schemes and share option scheme.

PROSPECTS

Various actions taken by the Central Government to cool down the overheated residential property markets in China seem to have little effect on the commercial segment, which together with the continual appreciation of the RMB over the past months, reinforces the Group’s strategy in RMB-based assets. As both floor spaces in the “Uptown” shopping mall in Beijing and the office units at the Eton Place are being filled up, they will generate steady rental earnings for the Group. At the same time, the Group continues to look for suitable sites for development in the major cities of China.



Management Statement *(Continued)*

PROSPECTS *(Continued)*

With Western Corridor being scheduled to open in July this year, Tung Kok Tau in Shekou will only be ten minutes away from Hong Kong. The Group will continue to negotiate with the relevant government authorities to streamline re-zoning and re-planning of the site in Tung Kok Tau for betterment of redevelopment value. Meanwhile, although the arbitration proceedings on disputes over equity interests in the relevant joint venture may take time to obtain an arbitration award, the Group will continue to put every effort to resolve the disputes.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 16 April 2007 to Friday, 20 April 2007, 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 Friday, 13 April 2007.

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

As at 31 December 2006, 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. PASCUAL Ramon Sy	80,000	—	0.04%

Management Statement *(Continued)*

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES *(Continued)*

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 31 December 2006; or would require, 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").

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2006, 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 31 December 2006.



Management Statement *(Continued)*

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 Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange for the six months ended 31 December 2006, 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 16 December 2006 to 31 December 2006, a majority of 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 January 2007, the Company has appointed Ms. SALAZAR Lourdes Apostol 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 above CG Code and the Listing Rules, respectively.

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 for the six months ended 31 December 2006.

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.



Management Statement *(Continued)*

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 these unaudited interim report for the six months ended 31 December 2006.

APPRECIATION

During the period, Mr. MAK Kwai Wing, Alexander resigned as an Independent Non-executive Director of the Company. The Board of Directors would like to express its sincere gratitude to him for his valuable contributions to the Group during his tenure.

By Order of the Board



CHAN Wing Kit, Frank
Director and Chief Executive Officer

Hong Kong, 23 March 2007



Condensed Consolidated Income Statement

For the six months ended 31 December 2006

	Notes	Unaudited Six months ended 31 December	
		2006 HK\$'000	2005 HK\$'000
Turnover	4	87,921	107,992
Cost of sales		(51,740)	(75,656)
Gross profit		36,181	32,336
Other income	5	16,066	10,440
Increase in fair value of investment properties		5,973	132,000
Expenses on disposal of investment properties		—	(6,000)
Administrative expenses	6	(28,271)	(14,380)
Finance costs	7	(8,234)	(2,529)
Profit before taxation		21,715	151,867
Taxation	8	(7,308)	(8,071)
Profit for the period		14,407	143,796
Attributable to:			
Equity holders of the parent		13,411	140,324
Minority interests		996	3,472
		14,407	143,796
Dividends	9	6,573	4,382
Basic earnings per share (<i>HK cents</i>)	10	6.12	64.04

Condensed Consolidated Balance Sheet

At 31 December 2006

	<i>Notes</i>	Unaudited At 31 December 2006 HK\$'000	Audited At 30 June 2006 HK\$'000
Non-current Assets			
Property, plant and equipment		13,970	13,987
Investment properties	<i>11</i>	873,919	—
Property interest		—	455,432
Properties held for development		229,417	225,654
Goodwill		—	—
Loan receivables — due after one year		279	2,164
		1,117,585	697,237
Current Assets			
Properties held for sale		366,365	398,561
Loan receivables — due within one year		5,474	6,052
Trade and other receivables	<i>12</i>	70,987	45,271
Amounts due from minority shareholders		5,505	5,322
Tax recoverable		11,410	12,563
Bank deposits — pledged		20,328	16,804
Bank balances and cash		76,562	97,736
		556,631	582,309
Current Liabilities			
Trade and other payables	<i>13</i>	67,272	79,374
Pre-sale deposits received		4,767	34,531
Amount due to a related company — due within one year		9,642	9,407
Tax liabilities		49,834	49,531
Bank loans — due within one year	<i>14</i>	27,900	—
		159,415	172,843
Net Current Assets		397,216	409,466
Total Assets less Current Liabilities		1,514,801	1,106,703

Condensed Consolidated Balance Sheet (Continued)

At 31 December 2006

	<i>Notes</i>	Unaudited At 31 December 2006 HK\$'000	Audited At 30 June 2006 HK\$'000
Capital and Reserves			
Share capital	15	219,104	219,104
Reserves		843,530	807,523
Equity attributable to equity holders of the parent			
		1,062,634	1,026,627
Minority interests			
		36,133	34,865
Total Equity			
		1,098,767	1,061,492
Non-current Liabilities			
Bank loans — due after one year	14	367,600	—
Amount due to a related company — due after one year		17,925	17,490
Financial guarantee contracts		1,400	—
Deferred tax liabilities		29,109	27,721
		416,034	45,211
		1,514,801	1,106,703

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2006

	Share capital	Share premium	Special reserve	Negative goodwill	Capital redemption reserve	Translation reserve	Statutory reserve	Other reserve	Retained profits	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 30 June 2005 (audited)												
As originally stated	219,104	426,608	55,018	1,538	1,644	(2,428)	721	—	128,926	831,131	30,688	861,819
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 on translation of foreign operations 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 and expense for the period	—	—	—	—	—	5,499	—	—	140,324	145,823	4,199	150,022
Cash dividends	—	—	—	—	—	—	—	—	(4,382)	(4,382)	—	(4,382)
At 31 December 2005 (unaudited)	219,104	426,608	55,018	—	1,644	3,071	721	—	266,783	972,949	34,821	1,007,770
At 30 June 2006 (audited)												
As originally stated	219,104	426,608	55,018	—	1,644	13,349	721	92,451	217,732	1,026,627	34,865	1,061,492
Effect of changes in accounting policies (note 3)	—	—	—	—	—	—	—	—	(2,371)	(2,371)	—	(2,371)
As restated	219,104	426,608	55,018	—	1,644	13,349	721	92,451	215,361	1,024,256	34,865	1,059,121
Exchange differences arising on translation of foreign operations recognised directly in equity	—	—	—	—	—	31,540	—	—	—	31,540	272	31,812
Profit for the period	—	—	—	—	—	—	—	—	13,411	13,411	996	14,407
Total recognised income and expense for the period	—	—	—	—	—	31,540	—	—	13,411	44,951	1,268	46,219
Cash dividends	—	—	—	—	—	—	—	—	(6,573)	(6,573)	—	(6,573)
At 31 December 2006 (unaudited)	219,104	426,608	55,018	—	1,644	44,889	721	92,451	222,199	1,062,634	36,133	1,098,767

Condensed Consolidated Cash Flow Statement

For the six months ended 31 December 2006

	Unaudited	
	Six months ended	
	31 December	
	2006	2005
	HK\$'000	<i>HK\$'000</i>
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(8,704)	85,212
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(384,412)	545,329
NET CASH FROM (USED IN) FINANCING ACTIVITIES	383,988	<i>(222,314)</i>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(9,128)	408,227
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	97,736	101,773
EFFECT OF FOREIGN EXCHANGE RATE CHANGE	(12,046)	<i>(2,814)</i>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash	76,562	507,186

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2006

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 (“HKICPA”).

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 31 December 2006 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 value or revalued amount, as appropriate.

The accounting policies used in these condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2006, except as described below.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“HKFRS”) issued by the HKICPA, which are either effective for the accounting periods beginning on or after 1 December 2005 or 1 January 2006. The Group considered that the applications of these new HKFRSs do not have significant impact on the financial statements of the Group, except for the following areas, which resulted in changes to the Group’s accounting policies.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2006

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial guarantee contracts

In the current period, the Group has applied HKAS 39 and HKFRS 4 (Amendments) “Financial guarantee contracts” which is effective for annual periods beginning on or after 1 January 2006.

A financial guarantee contract is defined by HKAS 39 “Financial Instruments: Recognition and Measurement” as “a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument”.

The Group acts as the issuer of the financial guarantee contracts

Prior to 1 July 2006, financial guarantee contracts were not accounted for in accordance with HKAS 39 and those contracts were disclosed as contingent liabilities. A provision for financial guarantee was only recognised when it was probable that an outflow of resources would be required to settle the financial guarantee obligation and the amount can be estimated reliably.

Upon the application of these amendments, a financial guarantee granted to a bank over the repayment of a loan by an investee issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 “Provisions, contingent liabilities and contingent assets”; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 “Revenue”.

The adoption of HKAS 39 and HKFRS 4 (Amendments) “Financial guarantee contracts” has resulted a decrease in retained profits and an increase in financial guarantee contracts on 1 July 2006, and an increase in profit for the period from 1 July 2006 to 31 December 2006, which financial effect is set out in note 3.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2006

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Net investment in a foreign operation

The Group has applied HKAS 21 (Amendment) “Net investment in a foreign operation”, which relates to inter-company loans which form part of net investment in a foreign operation and was effective for annual periods beginning on or after 1 January 2006. This amendment requires exchange differences arising on a monetary item that forms part of a reporting entity’s net investment in a foreign operation to be recognised initially in a separate component of equity in the consolidated financial statements. This requirement applies irrespective of the currency of the monetary item and of whether the monetary item results from a transaction with the reporting entity or any of its subsidiaries. The adoption of this amendment has no significant impact on the results of operations and financial positions of the Group.

Potential impact arising from the recently issued accounting standards

The Group has not early applied the following new standard, amendment and interpretations that have been issued but are not yet effective. The Group is still not yet in the position to reasonably estimate the impact that may arise from the application of these standard, amendment and interpretations.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK (IFRIC) — INT 10	Interim Financial Reporting and Impairment ²
HK (IFRIC) — INT 11	HKFRS 2 — Group and Treasury Share Transactions ³

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 November 2006.

³ Effective for annual periods beginning on or after 1 March 2007.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2006

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 period are as follows:

	HKAS 39 and HKFRS 4 (Amendment)	Total effect
	<i>HK\$'000</i>	<i>HK\$'000</i>
<hr/>		
For the six months ended 31 December 2006 (unaudited)		
Decrease in financial guarantee contracts	971	971
	<hr/>	<hr/>
Increase in profit for the period	971	971
	<hr/>	<hr/>

There is no effect on the profit for the period from 1 July 2005 to 31 December 2005 as HKAS 39 was not applied retrospectively.

The adoption of HKAS 39 and HKFRS 4 (Amendment) has the following impact on the consolidated balance sheet on 1 July 2006:

	<i>HK\$'000</i>
<hr/>	
(Increase) decrease in liabilities/equity	
Increase in financial guarantee contracts	(2,371)
Decrease in retained profits	2,371
	<hr/>

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2006

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

Segmental information about these businesses is presented below:

	Property sales		Property rental		Port operations		Consolidated	
	Unaudited							
	Six months ended 31 December							
	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER								
External sales	65,516	84,467	14,867	14,187	7,538	9,338	87,921	107,992
SEGMENT RESULT	11,674	15,518	24,181	139,805	1,044	6,191	36,899	161,514
Unallocated other income							676	665
Unallocated corporate expenses							(7,626)	(7,783)
Finance costs							(8,234)	(2,529)
Profit before taxation							21,715	151,867
Taxation							(7,308)	(8,071)
Profit for the period							14,407	143,796

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2006

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 before taxation	
	Unaudited			
	Six months ended 31 December			
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Hong Kong Special Administrative Region ("Hong Kong")	—	14,187	—	139,805
Other regions in the People's Republic of China ("PRC")	87,921	93,805	36,899	21,709
	87,921	107,992	36,899	161,514
Unallocated other income			676	665
Unallocated corporate expenses			(7,626)	(7,783)
Finance costs			(8,234)	(2,529)
Profit before taxation			21,715	151,867

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

For the six months ended 31 December 2006

5. OTHER INCOME

	Unaudited	
	Six months ended	
	31 December	
	2006	2005
	HK\$'000	HK\$'000
Bank interest income	1,318	2,136
Exchange gain	7,396	5,600
Imputed interest income on loan receivables	190	369
Decrease in financial guarantee contracts	971	—
Sundry income	6,191	2,335
	16,066	10,440

6. DEPRECIATION AND AMORTISATION

	Unaudited	
	Six months ended	
	31 December	
	2006	2005
	HK\$'000	HK\$'000
Profit before taxation for the period has been arrived at after charging the following items:		
Depreciation	994	880
Less: Amount capitalised and included in properties under development	—	(32)
	994	848
Amortisation of prepaid lease payments	1,574	—

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2006

7. FINANCE COSTS

	Unaudited	
	Six months ended	
	31 December	
	2006	2005
	HK\$'000	HK\$'000
Interest on bank borrowings wholly repayable within five years	7,564	2,585
Less: Amount capitalised and included in properties under development by applying a capitalisation rate of nil % (2005: 6.7%) to expenditure on qualifying assets	—	(1,792)
Interest on loan from a related company wholly repayable within five years	—	1,207
Less: Amount capitalised and included in properties held for development by applying a capitalisation rate of nil % (2005: 5.76%) to expenditure on qualifying assets	—	(1,207)
Imputed interest expense on amount due to a related company	670	1,736
	8,234	2,529

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

For the six months ended 31 December 2006

8. TAXATION

	Unaudited	
	Six months ended	
	31 December	
	2006	2005
	HK\$'000	HK\$'000
<hr/>		
The tax charge comprises:		
Hong Kong Profits Tax		
Current period	—	22,909
Overprovision in prior years	52	(1)
Income tax of other regions in the PRC		
Current period	6,171	6,303
Overprovision in prior years	—	(1,527)
Deferred tax liabilities		
Current period	1,085	(19,613)
	<hr/>	<hr/>
	7,308	8,071
	<hr/>	<hr/>

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

PRC Foreign Enterprise Income Tax and land appreciation tax are calculated at the rates prevailing in the PRC.

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

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2006

9. DIVIDENDS

On 17 January 2007, a final dividend of 3 Hong Kong cents (2005: 2 Hong Kong cents) per share was paid to the Company's shareholders as a final dividend for the year ended 30 June 2006.

The Directors have declared an interim dividend of 3 Hong Kong cents (2005: 2 Hong Kong cents) per share for the six months ended 31 December 2006 to all shareholders whose names appear on the register of members of the Company on 20 April 2007.

10. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share attributable to equity holders of the parent is based on profit attributable to equity holders of the parent of HK\$13,411,000 (2005: HK\$140,324,000) for the period and on 219,103,681 (2005: 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 31 December 2005.

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

11. INVESTMENT PROPERTIES

The investment properties of the Group are situated in Shanghai, the PRC, which were completed and delivered to the Group on 30 September 2006 under pre-sale contracts. They were fair-valued by an independent valuer, Savills Valuation and Professional Services Limited, on 31 December 2006. The resulting increase in fair value of investment properties of HK\$5,973,000 has been recognised directly in the condensed consolidated income statement.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2006

12. TRADE AND OTHER RECEIVABLES

At 31 December 2006, the balance of trade and other receivables included trade receivables of HK\$8,711,000 (30 June 2006: HK\$2,823,000) and other receivables from home buyers who defaulted repayment to bank of HK\$32,069,000 (30 June 2006: HK\$30,979,000). 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 31 December 2006 HK\$'000	Audited At 30 June 2006 HK\$'000
0 – 60 days	5,135	2,823
61 – 90 days	780	—
Over 90 days	2,796	—
	8,711	2,823

13. TRADE AND OTHER PAYABLES

At 31 December 2006, the balance of trade and other payables included trade payables of HK\$14,930,000 (30 June 2006: HK\$41,635,000). The aged analysis of trade payables is as follows:

	Unaudited At 31 December 2006 HK\$'000	Audited At 30 June 2006 HK\$'000
0 – 60 days	2,594	31,773
61 – 90 days	—	519
Over 90 days	12,336	9,343
	14,930	41,635

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2006

13. TRADE AND OTHER PAYABLES (Continued)

The carrying amount of the Group's trade and other payables at 31 December 2006 approximated to its fair value.

14. BANK LOANS

	Unaudited	Audited
	At 31	At 30
	December	June
	2006	2006
	HK\$'000	HK\$'000
<hr/>		
The bank loans are repayable as follows:		
Within one year or on demand	27,900	—
More than one year, but not exceeding two years	24,600	—
More than two years, but not exceeding five years	343,000	—
	<hr/>	
	395,500	—
Less: Amount repayable within one year shown under current liabilities	(27,900)	—
	<hr/>	
Amount due after one year	367,600	—
	<hr/>	

The loans are secured and in Hong Kong dollars, bearing interest rate of about 0.6% over Hong Kong Interbank Offered Rate and 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 31 December 2006

15. SHARE CAPITAL

	Number of shares		Amount	
	Unaudited At 31 December 2006	Audited At 30 June 2006	Unaudited At 31 December 2006 <i>HK\$'000</i>	Audited At 30 June 2006 <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

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 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 31 December 2006 and 31 December 2005.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2006

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 the PRC. At 31 December 2006, the Group had a maximum amount of such home loans which were subject to these guarantees of HK\$375,110,000 (30 June 2006: HK\$402,216,000). And these guarantees given by the Group has been accounted as financial guarantee contracts in the condensed consolidated balance sheet pursuant to the adoption of HKAS 39 and HKFRS 4 (Amendment) "Financial guarantee contracts".

18. RELATED PARTY TRANSACTIONS

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

	Unaudited	
	Six months ended	
	31 December	
	2006	2005
	HK\$'000	<i>HK\$'000</i>
Rental income	—	65
Guaranteed rental income from a related company (<i>note a</i>)	14,847	—
Reimbursement of property management fees and letting commission from a related company (<i>note b</i>)	4,839	—
Rental and management fees	3,883	693
Consultancy service fees	500	500
Finance costs and charge	—	1,517

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

For the six months ended 31 December 2006

18. RELATED PARTY TRANSACTIONS *(Continued)*

Other outstanding balances with the following related companies and minority shareholders, which were unsecured, interest free and/or repayable on demand at 31 December 2006 and 30 June 2006 are as follows:

	Unaudited At 31 December 2006 HK\$'000	Audited At 30 June 2006 HK\$'000
Deposits due from related companies included in trade and other receivables	324	232
Amounts due from related companies included in trade and other receivables (<i>note c</i>)	27,337	6,513
Amounts due from minority shareholders	5,505	5,322
Amounts due to related companies included in trade and other payables	264	—
Amount due to a related company (<i>note d</i>)	27,567	26,897

Notes:

- a. The amount represents the amount of undertaking under the agreement (the "Acquisition Agreement") for acquisition of the subsidiaries entered into on 5 January 2006 between Eton Properties Group Limited (the "Vendor"), Eton Properties Limited as guarantor and Glory Diamond Inc. (the "Purchaser"), a wholly-owned subsidiary of the Company, given by the Vendor in favor of the Purchaser regarding rental yield in respect of the properties of the Group situated in Shanghai .
- b. It represents the amount of undertaking given by the Vendor pursuant to the Acquisition Agreement in favour of the Purchaser regarding reimbursement of the property management fees and the letting commission payable to letting agents in respect of the properties of the Group situated in Shanghai.
- c. It includes an other receivable from the Vendor recognised through the acquisition which represents the management's best estimate of the Vendor's undertaking stipulated in the Acquisition Agreement in respect of rental yield, reimbursement of the property management fees and the letting commission payable to letting agents with reference to the estimated market rentals and occupancy rates as at 31 December 2006 and 30 June 2006.

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

For the six months ended 31 December 2006

18. RELATED PARTY TRANSACTIONS *(Continued)*

- d. The amount due to a related company represents the retained sum of HK\$30,000,000 out of total consideration under the Acquisition Agreement. The amount will be released by three yearly payments of HK\$10,000,000 each from the completion of the pre-sale contracts disclosed in note 11. The amount is measured at amortised cost at an effective interest rate of 5% per annum.

The related companies are companies in which certain directors have common directorship and/or beneficial interests.

The Group's key management personnel are all Directors, whose remuneration, all in short-term employee benefits, during the period amounted to HK\$908,000 (2005: HK\$579,000).