



DYNAMIC HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31ST DECEMBER, 2001

INTERIM RESULTS

The Board of Directors (the "Directors") of Dynamic Holdings Limited (the "Company") hereby announces that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31st December, 2001 together with comparative figures for the corresponding period in 2000 are as follows:

	Notes	Unaudited Six months ended 31st December,	
		2001 HK\$'000	2000 HK\$'000
Turnover	2	27,541	223,505
Cost of sales		(8,232)	(193,150)
Gross profit		19,309	30,355
Other revenue	3	133	1,083
Operating expenses		(8,043)	(9,603)
Profit from operations		11,399	21,835
Finance costs		(1,506)	(4,409)
Profit before taxation		9,893	17,426
Taxation	5	(648)	(4,309)
Profit for the period		9,245	13,117
Minority interests		(596)	(673)
Net profit for the period		8,649	12,444
Distribution	6	—	—
Earnings per share (Hong Kong cents)	7	3.95	5.68
— basic			

Notes:

1. Basis of preparation and principal accounting policies

These unaudited condensed interim financial statements have been prepared in accordance with the requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Statement of Standard Accounting Practice No. 25 "interim financial reporting" issued by the Hong Kong Society of Accountants.

The accounting policies adopted are consistent with those adopted in the annual financial statements of the Group for the year ended 30th June, 2001 except for the change in accounting policy with respect to dividend recognition.

In prior periods, dividends/distributions proposed or declared after the balance sheet date in respect of an accounting period were recognized as a liability at the balance sheet date. In order to comply with the Statement of Standard Accounting Practice No. 9 (revised) "events after the balance sheet date", the Group does not recognize a liability for dividends/distributions in the accounting period in which they are declared or proposed and approved by shareholders. The new accounting policy has been adopted retrospectively, with the retained profits as at 1st July, 2001 adjusted for the amounts relating to final distribution declared for the year ended 30th June, 2001.

The condensed financial statements of the Group for the six months ended 31st December, 2001 are unaudited and have been reviewed by the Audit Committee of the Company. Certain comparative figures have been reclassified to conform with the current basis of presentation.

2. Turnover

The Company acts as an investment holding company. The activities of its principal subsidiaries are property investment and development. The Group's turnover and contribution to profit from operations for the period under review are analyzed as follows:

By principal activity:

	Turnover		Contribution to profit from operations	
	Unaudited Six months ended 31st December,		2000	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Property sales	6,966	203,522	1,258	12,693
Property rental	15,313	15,247	8,826	7,715
Port operation income	5,262	4,736	1,315	1,427
	27,541	223,505	11,399	21,835

By geographical location of operations:

	Turnover		Contribution to profit from operations	
	Unaudited Six months ended 31st December,		2000	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Hong Kong Special Administrative Region ("Hong Kong")	15,313	15,247	8,826	7,715
Other regions in the People's Republic of China ("PRC")	12,228	208,258	2,573	14,120
	27,541	223,505	11,399	21,835

Interest income has been reclassified from turnover to other revenue in the previous corresponding period.

3. Other revenue

Other revenue includes interest income from bank deposits for the six months ended 31st December, 2001 amounted to HK\$85,000 (2000: HK\$1,045,000).

4. Depreciation and amortization

	Unaudited Six months ended 31st December,		2000	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Profit from operations has been arrived at after charging (crediting):				
Amortization of goodwill			571	571
Depreciation			734	155
Less: Amount capitalized and included in properties under development			(233)	(39)
			501	116

5. Taxation

	Unaudited Six months ended 31st December,		2000	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
The tax charge comprises:				
PRC Income Tax			648	4,309

No Hong Kong Profits Tax is provided as there is no estimated assessable profit for 2001. No Hong Kong Profits Tax was payable in 2000 since the assessable profit was wholly absorbed by the tax relief brought forward.

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

6. Distribution

On 17th January, 2002, a distribution of 2 Hong Kong cents (2000: 2 Hong Kong cents) per share was paid to the Company's shareholders as a final distribution for the year ended 30th June, 2001.

The Directors have declared an interim distribution of 2 Hong Kong cents (2000: 2 Hong Kong cents) per share for the six months ended 31st December, 2001 to all shareholders whose names appear on the register of members of the Company on 26th April, 2002.

7. Earnings per share

The calculation of basic earnings per share is based on the net profit for the period of HK\$8,649,000 (2000: HK\$12,444,000) and on the weighted average number of 219,103,681 (2000: 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Results Review

For the six months ended 31st December, 2001, the Group's turnover amounted to HK\$27,541,000, deriving from the sales income of development properties, rental income of investment properties and port operation. The substantial drop in the Group's turnover by about 88% from the previous corresponding period is primarily attributable to reduced sales income (by about 97%) from the development of Chaoyang Garden, as the sale of its Phase II (known as the Sun Crest) would not be booked in the accounts until its completion date at around the second half of this year.

Despite the significant drop in turnover, the Group recorded a gross profit of HK\$19,309,000 and profit from operations of HK\$11,399,000 for the period, showing a decline by about 36% and 48% respectively against those of the previous corresponding period. The net profit of the Group for the period was HK\$8,649,000, representing a decrease of about 30% as compared to HK\$12,444,000 in the last corresponding period.

Business Review

Chaoyang Garden/The Sun Crest

During the period under review, the Group generated sales proceeds of about HK\$58,000,000 from sale of the development.

As at the balance sheet date, the area of Phase I still available for sale was about 60,000 square feet, some of which has been leased out for rental income.

Internal fittings of the two new residential towers of Phase II (Sun Crest) are currently in progress, and completion thereof is scheduled at around the fourth quarter of this year. The pre-sale of these two towers is steady and more than 60% has been taken up so far.

Dynamic Cargo Center

The Group maintained virtually full occupancy for its cargo center and achieved stable rental income during the period.

Tung Kok Tau

The high-profiled auction last December of three lots of land within about 8 kilometers of the Group's Tung Kok Tau site has re-confirmed the substantial appreciation of the value of the site in question. However, the negative impact of the auction on the current negotiations with the Chinese party concerned is that it has raised the expectations of the Chinese side. This, together with the new Chinese negotiation team, has widened the disagreements between two parties and has made the on-going negotiations more difficult.

Financial Review

The financial position of the Group remains healthy and liquid. At 31st December, 2001, the total shareholders' fund of the Group amounted to HK\$802,999,000 (30th June, 2001: HK\$799,163,000) with net asset value per share of HK\$3.66 (30th June, 2001: HK\$3.65). Total bank borrowings of the Group were about HK\$183,147,000 (30th June, 2001: HK\$187,147,000) as at 31st December, 2001, which were in Hong Kong dollars and repayable within two years at average interest rate of about 4% per annum. Accordingly, the debt-to-equity ratio of the Group at 31st December, 2001 was about 23% (30th June, 2001: 23%). As at 31st December, 2001, the Group pledged certain of its assets (including investment properties with an aggregate carrying value of HK\$520,000,000) as security against general banking facilities granted to the Group. The contingent liabilities of the Group amounted to HK\$202,147,000 (30th June, 2001: HK\$209,647,000) represented by guarantees given to financial institutions in respect of banking facilities granted to the Group.

In the period, sufficient cash balance and cashflow were generated by sales proceeds of Chaoyang Garden/Sun Crest in Beijing and rental income of Dynamic Cargo Center. As at 31st December, 2001, the Group's cash and bank balance was HK\$126,659,000 (30th June, 2001: HK\$168,751,000) denominated primarily in Hong Kong dollars and Renminbi yuan. No significant exposure to foreign currency fluctuations affected the Group in the period. 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 think expedient.

Employees

At 31st December, 2001, the Group had about 200 employees in Hong Kong and the Mainland at prevailing market remunerations with employee benefits such as medical insurance, provident fund scheme and share option scheme.

Prospects

The 2008 Olympic and China's accession to WTO continue to be the driving forces behind the property market in Beijing. Demand for high-end (luxury) apartments is expected to remain steady. Pre-sale of the remaining two residential towers of Phase II (Sun Crest) is scheduled to take place within the second quarter. Severe competition and increasing supplies have squeezed profit margin. Revised plans for Phase III have been submitted for official approval, with a view to taking advantage of the expected change in market demands for commercial/residential developments.

Logistics and warehousing operations are moving across the border to lower-cost Shenzhen thus putting pressure on warehousing rental in Hong Kong. Nevertheless, the Group will make all efforts to maintain its high level of occupancy at market rent.

Notwithstanding the chequered history of negotiations with the Chinese party on Tung Kok Tau, the Group is still keen on gaining complete control of the site for development and longer-term profitability rather than taking a short-term gain.

INTERIM DISTRIBUTION

The Directors have declared an interim distribution of 2 Hong Kong cents (2000: 2 Hong Kong cents) per share for the six months ended 31st December, 2001 to all shareholders whose names appear on the register of members of the Company on 26th April, 2002. The warrants for such distribution are expected to be despatched to those entitled on or about 7th May, 2002.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 22nd April, 2002 to Friday, 26th April, 2002, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim distribution, 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 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong for registration not later than 4:00 p.m. on Friday, 19th April, 2002.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

A detailed announcement of the interim results of the Group for the period containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be published on the website of such Exchange in due course.

By Order of the Board
Pang Kit Man, John
Chief Executive Officer

Hong Kong, 22nd March, 2002