



DYNAMIC HOLDINGS LIMITED

達力集團有限公司

(Incorporated in Bermuda with limited liability)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31ST DECEMBER, 2002

INTERIM RESULTS

The Board of Directors (the "Directors") of Dynamic Holdings Limited (the "Company") is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31st December, 2002 together with comparative figures for the corresponding period in 2001 are as follows:

	Notes	Unaudited Six months ended 31st December,	
		2002 HK\$'000	2001 HK\$'000
Turnover	2	212,254	27,541
Cost of sales		(175,480)	(8,232)
Gross profit		36,774	19,309
Other operating income	4	2,078	133
Administrative expenses		(14,056)	(8,043)
Profit from operations		24,796	11,399
Finance costs	6	(1,011)	(1,506)
Profit before taxation		23,785	9,893
Taxation	7	(5,702)	(648)
Profit for the period		18,083	9,245
Minority interests		(2,075)	(596)
Net profit for the period		16,008	8,649
Distribution	8	4,382	4,382
Earnings per share (Hong Kong cents)	9	7.31	3.95
— basic			

Notes:

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 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, 2002 except that the Group has adopted the following new or revised Statement of Standard Accounting Practices ("SSAPs") issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January, 2002:

SSAP 1 (revised)	: "Presentation of financial statements"
SSAP 11 (revised)	: "Foreign currency translation"
SSAP 15 (revised)	: "Cash flow statements"
SSAP 25 (revised)	: "Interim financial reporting"
SSAP 34	: "Employee benefits"

These SSAPs prescribe new accounting measurement and disclosure practices. The adoption of these SSAPs during the current financial period does not have any significant impact on the Group's profit or shareholders' equity, except that the presentation of certain items and balances in the condensed consolidated interim financial statements have been revised to comply with the new requirements.

The condensed consolidated financial statements of the Group for the six months ended 31st December, 2002 are unaudited and have been reviewed by the Audit Committee of the Company.

2. Turnover

Turnover represents the aggregate of gross proceeds from sales of properties, gross property rental income and gross income from the operation of the port during the period.

3. Segment 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 segment 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

Segment information about these businesses is presented below:

	Property sales		Property rental		Port operations		Consolidated	
	For the six months ended 31st December,							
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER								
External sales	189,105	6,966	12,942	15,313	10,207	5,262	212,254	27,541
SEGMENT RESULT	14,999	1,258	11,533	14,329	3,698	1,315	30,230	16,902
Unallocated other operating income							2	22
Unallocated corporate expenses							(5,436)	(5,525)
Profit from operations							24,796	11,399
Finance costs							(1,011)	(1,506)
Profit before taxation							23,785	9,893
Taxation							(5,702)	(648)
Profit for the period							18,083	9,245
Minority interests							(2,075)	(596)
Net profit for the period							16,008	8,649

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	
	For the six months ended 31st December,			
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong Special Administrative Region ("Hong Kong")	12,942	15,313	11,533	14,329
Other regions in the People's Republic of China ("PRC")	199,312	12,228	18,697	2,573
	212,254	27,541	30,230	16,902
Unallocated other operating income			2	22
Unallocated corporate expenses			(5,436)	(5,525)
Profit from operations			24,796	11,399

4. Other operating income

Other operating income includes interest income from bank deposits for the six months ended 31st December, 2002 amounted to HK\$561,000 (2001: HK\$85,000).

5. Depreciation and amortization

	Unaudited Six months ended 31st December,	
	2002 HK\$'000	2001 HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Amortization of goodwill (included in administrative expenses)	579	571
Depreciation	724	734
Less: Amount capitalised and included in properties under development	(256)	(233)
	468	501

6. Finance costs

	Unaudited Six months ended 31st December,	
	2002 HK\$'000	2001 HK\$'000
Interest on bank borrowings wholly repayable within five years	3,350	4,486
Less: Amount capitalised and included in properties under development by applying a capitalisation rate of 4.6% (2001: 5.8%) to expenditure on qualifying assets	(2,339)	(2,980)
	1,011	1,506

7. Taxation

	Unaudited Six months ended 31st December,	
	2002 HK\$'000	2001 HK\$'000
The tax charge comprises:		
PRC Income Tax	5,702	648

No Hong Kong Profits Tax is provided as there is no estimated assessable profit for 2002 and 2001.

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

8. Distribution

On 17th January, 2003, a distribution of 2 Hong Kong cents (2001: 2 Hong Kong cents) per share was paid to the Company's shareholders as a final distribution for the year ended 30th June, 2002.

The Directors have declared an interim distribution of 2 Hong Kong cents (2001: 2 Hong Kong cents) per share for the six months ended 31st December, 2002 to all shareholders whose names appear on the register of members of the Company on 25th April, 2003.

9. Earnings per share

The calculation of basic earnings per share is based on the net profit for the period of HK\$16,008,000 (2001: HK\$8,649,000) and on the weighted average number of 219,103,681 (2001: 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.

RESULTS REVIEW

For the six months ended 31st December, 2002, the Group's turnover soared by about 671% over the last corresponding period to HK\$212,254,000. This is attributable to the booking of sales revenue (by about HK\$179,106,000) for the first two towers of Chaoyang Garden (The Sun Crest) in Phase II, following the issuance of occupation permit during the period as in line with the Group's accounting policies.

For the period under review, the Group achieved a gross profit of HK\$36,774,000 and an operating profit of HK\$24,796,000, representing an increase of about 90% and 118% respectively as compared with those of the previous corresponding period. These are also primarily due to the booking of sales of the first two towers in Phase II. The net profit for the period of HK\$16,008,000 shows an increase of about 85% as compared to the same period last year.

BUSINESS REVIEW

Chaoyang Garden/The Sun Crest

During the period under review, the Group realised sales proceeds of about HK\$188,395,000 from sales of remaining units in Phase I and the first two towers in Phase II, which were completed and delivered in November 2002. So far, about 70% of these two towers has been sold.

The remaining two towers of Phase II are scheduled to be completed by the second half of this year, one of which has been put forward for pre-sale in October 2002.

The development of Phase III (the final phase) has been slightly delayed due to further revisions of building plans having been made necessary by new building rules and regulations now coming into force.

Dynamic Cargo Center

As for the Hong Kong cargo center, the Group achieved a reasonably high level (about 90%) of occupancy throughout the period under review. However, rental income for the period fell by about 15% as downward pressure on rent and occupancy continued to reflect competition across the border.

Tung Kok Tau

During the period, the port operations in Tung Kok Tau showed an increase in sales and earnings of about 94% and 181% respectively as against the previous corresponding period.

FINANCIAL REVIEW

The financial position of the Group remains healthy and liquid. At 31st December, 2002, the total shareholders' fund of the Group amounted to HK\$753,999,000 (30th June, 2002: HK\$742,772,000) with net asset value of HK\$3.44 (30th June, 2002: HK\$3.39). Total bank borrowings of the Group were about HK\$180,497,000 (30th June, 2002: HK\$186,097,000) as at 31st December, 2002, which were in Hong Kong dollars and repayable within two years at average interest rate of about 3.4% per annum. Accordingly, the debt-to-equity ratio of the Group at 31st December, 2002 was about 24% (30th June, 2002: 25%). As at 31st December, 2002, the Group pledged certain of its assets (including investment properties with an aggregate carrying value of HK\$460,000,000) as security against general banking facilities granted to the Group. The contingent liabilities of the Group for guarantees given to financial institutions in respect of banking facilities granted to the Group and mortgage loans provided to the home buyers of a property project in the PRC amounted to HK\$188,500,000 (30th June, 2002: HK\$194,100,000) and HK\$430,996,000 (30th June, 2002: HK\$377,480,000) respectively.

In the period, sufficient cashflow was generated by sales proceeds of Chaoyang Garden/The Sun Crest in Beijing, rental income of Dynamic Cargo Center and revenue of port operation. As at 31st December, 2002, the Group's cash and bank balance stood at HK\$51,483,000 (30th June, 2002: HK\$90,657,000) 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/The Sun Crest 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, 2002, 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

In Beijing, the property market seems to have normalised after a period of euphoria brought about by the effects of the 2008 Olympics and China's WTO entry. However, competition remains keen as an over-supply situation in the high-end residential sector continues to exert pressure on pricing and profit. Nevertheless, the Group has been able to hold its own due to its established brand name and quality image.

In Hong Kong, demand of warehousing spaces appears to be on an upward trend benefiting from China's strong export growth. It is expected that the Group will be able to continue to enjoy high occupancy and stable rental income from its cargo center during the rest of this year.

As for Tung Kok Tau, negotiations with the mainland partners are ongoing. Although the leadership of Shenzhen has shown its support for an amicable settlement, a final conclusion to this long drawn out dispute may still need time.

INTERIM DISTRIBUTION

The Directors have declared an interim distribution of 2 Hong Kong cents (2001: 2 Hong Kong cents) per share for the six months ended 31st December, 2002 to all shareholders whose names appear on the register of members of the Company on 25th April, 2003. The warrants for such distribution are expected to be despatched to those entitled on or about 7th May, 2003.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 22nd April, 2003 to Friday, 25th April, 2003, 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 Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 17th April, 2003.

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, 21st March, 2003