



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, 2003

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, 2003 together with comparative figures for the corresponding period in 2002 are as follows:

	Notes	Unaudited Six months ended	
		31st December, 2003	2002 Restated
		HKS'000	HKS'000
Turnover	2	197,184	212,254
Cost of sales		(163,661)	(175,480)
Gross profit		33,523	36,774
Other operating income	4	1,657	2,078
Administrative expenses		(13,130)	(14,056)
Profit from operations		22,050	24,796
Finance costs	6	(573)	(1,011)
Profit before taxation		21,477	23,785
Taxation	7	(1,931)	(6,581)
Profit for the period		19,546	17,204
Minority interests		(1,144)	(2,075)
Net profit for the period		18,402	15,129
Distribution	8	4,382	4,382
Earnings per share (Hong Kong cents)	9	8.40	6.90
— 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, 2003 except that the Group has adopted the revised Statement of Standard Accounting Practice 12 ("SSAP 12") "Income Taxes" issued by the Hong Kong Society of Accountants to account for deferred taxation which are effective for accounting periods commencing on or after 1st January, 2003.

In prior years, deferred taxation was accounted for at the current taxation rate in respect of significant timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. Under the SSAP 12 (revised), deferred taxation is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts, based on the tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

The adoption of the SSAP 12 (revised) represents a change in accounting policy which has been applied retrospectively so that the comparative figures presented have been restated to conform to the changed policy. In this connection, the retained earnings at 1st July, 2003 and 2002 have been increased by HK\$4,651,000 and HK\$2,416,000 respectively, which represented the unrecognised net deferred tax assets. This change has also resulted in deferred tax assets at 30th June, 2003 by HK\$4,651,000. The adoption of the SSAP 12 (revised) reduced the Group's profit attributable to shareholders for the six months ended 31st December, 2003 by HK\$1,330,000 (2002: HK\$879,000).

These condensed consolidated financial statements of the Group for the six months ended 31st December, 2003 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. 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	
	Six months ended 31st December, 2003		2002		2003		2002	
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
TURNOVER								
External sales	176,034	189,105	13,375	12,942	7,775	10,207	197,184	212,254
SEGMENT RESULT	12,932	14,999	12,258	11,533	1,241	3,698	26,431	30,230
Unallocated other operating income							1,037	2
Unallocated corporate expenses							(5,418)	(5,436)
Profit from operations							22,050	24,796
Finance costs							(573)	(1,011)
Profit before taxation							21,477	23,785
Taxation							(1,931)	(6,581)
Profit for the period							19,546	17,204
Minority interests							(1,144)	(2,075)
Net profit for the period							18,402	15,129
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					
	Six months ended 31st December, 2003		2003		2003		2002	
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	
Hong Kong Special Administrative Region ("Hong Kong")	13,375	12,942	12,258	11,533				
Other regions in the People's Republic of China ("PRC")	183,809	199,312	14,173	18,697				
	197,184	212,254	26,431	30,230				
Unallocated other operating income			1,037	2				
Unallocated corporate expenses			(5,418)	(5,436)				
Profit from operations			22,050	24,796				

4. Other operating income

	Unaudited	
	Six months ended 31st December, 2003	2002
	HKS'000	HKS'000
Bank interest income	376	561
Bad debt recovered	1,027	—
Sundry income	254	1,517
	1,657	2,078

5. Depreciation and amortization

	Unaudited	
	Six months ended 31st December, 2003	2002
	HKS'000	HKS'000
Profit from operations has been arrived at after charging (crediting):		
Amortization of goodwill (included in administrative expenses)	571	579
Depreciation	749	724
Less: Amount capitalized and included in properties under development	(251)	(256)
	498	468

6. Finance costs

	Unaudited	
	Six months ended 31st December, 2003	2002
	HKS'000	HKS'000
Interest on bank borrowings wholly repayable within five years	2,599	3,350
Less: Amount capitalised and included in properties under development by applying a capitalisation rate of 4.0% (2002: 4.6%) to expenditure on qualifying assets	(2,026)	(2,339)
	573	1,011

7. Taxation

	Unaudited	
	Six months ended 31st December, 2003	2002
	HKS'000	Restated HKS'000
The tax charge comprises:		
PRC Income Tax		
— Current period	3,838	5,702
— Overprovision in prior years	(3,237)	—
Hong Kong Profits Tax	1,330	879
— Deferred	—	—
	1,931	6,581

No Hong Kong Profits Tax is provided as there is no estimated assessable profit for 2003 and 2002.

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

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

8. Distribution

On 16th January, 2004, a distribution of 2 Hong Kong cents (2002: 2 Hong Kong cents) per share was paid to the Company's shareholders as a final distribution for the year ended 30th June, 2003.

The Directors have declared an interim distribution of 2 Hong Kong cents (2002: 2 Hong Kong cents) per share for the six months ended 31st December, 2003 to all shareholders whose names appear on the register of members of the Company on 23rd April, 2004.

9. Earnings per share

The calculation of basic earnings per share is based on the net profit for the period of HK\$18,402,000 (2002: HK\$15,129,000, restated) and on the weighted average number of 219,103,681 (2002: 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 2003, the Group's turnover amounted to HK\$197,184,000 representing a drop of about 7% as compared with that recorded in the last corresponding period. This was mainly attributed to a decrease in sales revenue (by about 7%) from Chaoyang Garden in Beijing.

Hence, the Group recorded a gross profit of HK\$33,523,000 and an operating profit of HK\$22,050,000, showing a decrease of about 9% and 11% respectively from those recorded in the previous corresponding period. Overall, taking into account of the tax effect for the period, the Group achieved a net profit for the period of HK\$18,402,000, an increase of about 22% over the previous corresponding period.

BUSINESS REVIEW

Chaoyang Garden/The Sun Crest

During the period under review, the property market in Beijing recovered steadily after the end of SARS. The last two residential towers of Phase II were completed and delivered to the buyers in October 2003. As a result, sales revenue totaling about HK\$176,034,000 were booked in these accounts. As at balance sheet date, about 70% of the overall residential development was sold.

Construction work of Phase III (the final phase), a commercial/service apartment complex, commenced in September 2003 and will be put forward for pre-sale by the end of this year and completion of development is scheduled at the end of 2005.

Dynamic Cargo Center

In the period under review, the occupancy rate of the Group's cargo center was at a high level and stayed at about 90% as at 31st December, 2003. The upswing in the logistics sector, along with a shortage of new supply of warehousing space, had helped to show improvements of rental on new and renewal tenancies. As compared with those recorded in the last corresponding period, rental income and profit contribution marginally increased by about 3% and 6% respectively.

Tung Kok Tau

For the period under review, the port operations in Tung Kok Tau continued to make steady contributions to the Group's operating profits.

In December 2003, the Group paid the balance land premium of about Rmb156,000,000 to secure an area of 171,788 square meters comprising the "red-lined" zone of the Tung Kok Tau site having a total developable gross floor area (GFA) of 310,400 square meters.

Negotiations with the Chinese joint venture partner on the Group's proposed acquisition of 100% of the project are continuing but have been interrupted by new city planning proposals at the Shenzhen end of the Western Corridor that have generally impacted the site. It is expected that a consensus can be reached once the uncertainties brought about by the proposed changes have been clarified.

FINANCIAL REVIEW

The financial position of the Group remains healthy and liquid. At 31st December, 2003, the total shareholders' fund of the Group amounted to HK\$746,419,000 (30th June, 2003: HK\$733,110,000, restated) with net asset value of HK\$3.41 (30th June, 2003: HK\$3.35, restated). Total borrowings of the Group were about HK\$367,594,000 (30th June, 2003: HK\$190,000,000) as at 31st December, 2003, which were in Hong Kong dollars and Renminbi yuan and repayable within three years at an average interest rate of about 2.2% (30th June, 2003: 2.1%) per annum. As at 31st December, 2003, the gearing ratio of the Group was about 31% (30th June, 2003: 19%) based on the Group's net debt (after deducting bank balances and cash) to its shareholders' equity. As at 31st December, 2003, such borrowings were unsecured and secured for which the Group pledged certain of its assets (including investment properties and the land for properties under development with an aggregate carrying value of HK\$454,377,000) to financial institutions. The contingent liabilities of the Company for guarantees given to financial institutions in respect of banking facilities granted to the Group amounted to HK\$234,261,000 (30th June, 2003: HK\$198,000,000). 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, 2003, the Group and the Company had a maximum amount of mortgage loans which were subject to these guarantees of HK\$606,259,000 (30th June, 2003: HK\$488,322,000) and HK\$15,526,000 (30th June, 2003: HK\$15,597,000) 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 operations. As at 31st December, 2003, the Group's cash and bank balance stood at HK\$137,081,000 (30th June, 2003: HK\$50,433,000) denominated primarily in Renminbi yuan and Hong Kong dollars. 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, 2003, the Group had about 200 employees in Hong Kong and the Mainland China at prevailing market remunerations with employee benefits such as medical insurance, provident fund scheme and share option scheme.

PROSPECTS

The Beijing residential property market is still facing an over-supplied situation and competition remains intense. However, with the Group's established brand name and judging from the rate of sales over the past months, it is expected that most of the remaining units will be disposed of before the end of the calendar year.

In Hong Kong, the gradual implementation of CEPA together with the buoyancy of re-export will stimulate demands for warehouse space with slight improvements in rental.

The city of Shenzhen has made aggressive plans to turn the Shenzhen Bay Area into an up-market residential area with large parks and green belts. This, in conjunction with the completion of the so-called Western Corridor linking Hong Kong and Shekou in 2005 will transform the Group's Tung Kok Tau site into a prime project to become a major revenue contributor to the Group for the future.

INTERIM DISTRIBUTION

The Directors have declared an interim distribution of 2 Hong Kong cents (2002: 2 Hong Kong cents) per share for the six months ended 31st December, 2003 to all shareholders whose names appear on the register of members of the Company on 23rd April, 2004. The warrants for such distribution are expected to be despatched to those entitled on or about 7th May, 2004.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 19th April, 2004 to Friday, 23rd April, 2004, 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 no later than 4:30 p.m. on Friday, 16th April, 2004.

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, 25th March, 2004