



# DYNAMIC HOLDINGS LIMITED

達力集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 029)

## ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 30TH JUNE, 2005

### RESULTS

The Board of Directors of Dynamic Holdings Limited (the “Company”) is pleased to announce that the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 30th June, 2005 together with comparative figures for the previous year are as follows:

### Consolidated Income Statement

		Year ended 30th June,	
		2005	2004
	Notes	HK\$'000	HK\$'000
Turnover	2 & 3	126,939	410,257
Cost of sales		<u>(80,153)</u>	<u>(336,839)</u>
Gross profit		46,786	73,418
Other operating income	4	4,510	3,035
Revaluation increase on investment properties		80,000	—
Administrative expenses		<u>(26,483)</u>	<u>(27,267)</u>
Profit from operations	5	104,813	49,186
Finance costs	6	(783)	(1,966)
Gain on dissolution of a subsidiary		<u>1,640</u>	<u>—</u>
Profit before taxation		105,670	47,220
Taxation	7	<u>(10,993)</u>	<u>(9,009)</u>
Profit for the year		94,677	38,211
Minority interests		<u>(2,542)</u>	<u>(2,756)</u>
Net profit for the year		<u>92,135</u>	<u>35,455</u>
Dividends		<u>8,764</u>	<u>8,764</u>
Basic earnings per share ( <i>Hong Kong cents</i> )	8	<u>42.1</u>	<u>16.2</u>

## Consolidated Balance Sheet

		Year ended 30th June,	
		2005	2004
	Notes	HK\$'000	HK\$'000
<b>Non-current Assets</b>			
Property, plant and equipment		12,475	13,541
Investment properties		500,000	420,000
Properties held for development		219,848	200,195
Goodwill		—	161
Investments in securities		—	—
Loan receivables — due after one year		7,147	14,729
		<u>739,470</u>	<u>648,626</u>
<b>Current Assets</b>			
Properties under development		248,774	138,079
Properties held for sale		150,088	202,420
Loan receivables — due within one year		8,167	10,550
Trade and other receivables	9	32,961	24,330
Amounts due from minority shareholders		5,035	4,922
Tax recoverable		14,949	7,727
Bank deposits — pledged		27,964	21,488
Bank balances and cash		101,773	119,734
		<u>589,711</u>	<u>529,250</u>
<b>Current Liabilities</b>			
Trade and other payables	10	118,346	90,944
Pre-sale deposits received		37,033	32,430
Tax liabilities		83	340
Bank loans — due within one year		99,674	24,937
		<u>255,136</u>	<u>148,651</u>
Net Current Assets		<u>334,575</u>	<u>380,599</u>
Total Assets less Current Liabilities		<u>1,074,045</u>	<u>1,029,225</u>
<b>Capital and Reserves</b>			
Share capital		219,104	219,104
Reserves		612,027	530,296
		<u>831,131</u>	<u>749,400</u>
Minority interests		<u>30,688</u>	<u>28,146</u>
<b>Non-current Liabilities</b>			
Bank loans — due after one year		123,500	140,636

Other payable — due after one year	493	493
Loan from a related company	68,620	102,595
Deferred tax liabilities	19,613	7,955
	<u>212,226</u>	<u>251,679</u>
	<u><u>1,074,045</u></u>	<u><u>1,029,225</u></u>

*Notes:*

## 1. Potential Impact arising from the recently issued accounting standards

The Hong Kong Institute of Certified Public Accountants (the “HKICPA”) issued a number of new or revised Hong Kong Accounting Standards (“HKAS”) and Hong Kong Financial Reporting Standards (“HKFRSs”) (hereinafter collectively referred to as “new HKFRSs”) which are effective for accounting periods beginning on or after 1st January, 2005 except for HKFRS 3 Business Combination. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 30th June, 2005.

HKFRS 3 is applicable to business combinations for which the agreement date is on or after 1st January, 2005. The Group has not entered into any business combination for which the agreement date is on or after 1st January, 2005. Therefore, HKFRS 3 did not have any impact on the Group for the year ended 30th June, 2005.

The Group has commenced considering the potential impact of these new HKFRSs but the directors of the Group anticipate that the adoption of these new HKFRSs would have no material impact on how its results of operations and financial position in the future are prepared and presented except as described below.

HKAS 1	Presentation of Financial Statements
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKAS Interpretation 21	Income taxes — Recovery of Revalued Non-Depreciable Assets

## 2. Turnover

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

### 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	
	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER								
External sales	<u>76,468</u>	<u>365,209</u>	<u>30,562</u>	<u>27,221</u>	<u>19,909</u>	<u>17,827</u>	<u>126,939</u>	<u>410,257</u>
SEGMENT RESULT								
	<u>3,093</u>	<u>33,461</u>	<u>108,119</u>	<u>24,823</u>	<u>6,164</u>	<u>3,038</u>	<u>117,376</u>	<u>61,322</u>
Unallocated other operating income							3	1,039
Unallocated corporate expenses							<u>(12,566)</u>	<u>(13,175)</u>
Profit from operations							<u>104,813</u>	<u>49,186</u>
Finance costs							<u>(783)</u>	<u>(1,966)</u>
Gain on dissolution of a subsidiary							<u>1,640</u>	<u>—</u>
Profit before taxation							<u>105,670</u>	<u>47,220</u>
Taxation							<u>(10,993)</u>	<u>(9,009)</u>
Profit for the year							<u>94,677</u>	<u>38,211</u>
Minority interests							<u>(2,542)</u>	<u>(2,756)</u>
Net profit for the year							<u>92,135</u>	<u>35,455</u>

### 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	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Hong Kong Special Administrative Region ("Hong Kong")	<b>30,562</b>	27,221	<b>108,119</b>	24,823
Other regions in the People's Republic of China ("PRC")	<u><b>96,377</b></u>	<u>383,036</u>	<u><b>9,257</b></u>	<u>36,499</u>
	<u><b>126,939</b></u>	<u>410,257</u>	<u><b>117,376</b></u>	<u>61,322</u>
Unallocated other operating income			<b>3</b>	1,039
Unallocated corporate expenses			<u><b>(12,566)</b></u>	<u>(13,175)</u>
Profit from operations			<u><b>104,813</b></u>	<u>49,186</u>

#### 4. Other operating income

	Year ended 30th June,	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Bank interest income	<b>1,366</b>	1,079
Bad debt recovered	—	1,027
Gain on disposal of property, plant and equipment	—	32
Sundry income	<u><b>3,144</b></u>	<u>897</u>
	<u><b>4,510</b></u>	<u>3,035</u>

## 5. Profit from operations

Year ended 30th June,  
2005                      2004  
HK\$'000                  HK\$'000

Profit from operations has been arrived at after charging:

Allowance for doubtful debts	653	3,790
Amortisation of goodwill (included in administrative expenses)	161	1,141
Auditors' remuneration	589	681
Depreciation	1,608	1,594
Less: Amount capitalised and included in properties under development	<u>(15)</u>	<u>(17)</u>
	<u>1,593</u>	<u>1,577</u>

## 6. Finance costs

Year ended 30th June,  
2005                      2004  
HK\$'000                  HK\$'000

Interest on bank borrowings wholly repayable within five years	3,541	4,588
Less: Amount capitalised and included in properties under development by applying a capitalisation rate of 5.2% (2004: 4%) to expenditure on qualifying assets	(2,758)	(2,622)
Interest on loan from a related company wholly repayable within five years	3,851	2,352
Less: Amount capitalised and included in properties held for development	<u>(3,851)</u>	<u>(2,352)</u>
	<u>783</u>	<u>1,966</u>

## 7. Taxation

**Year ended**  
**30th June,**  
**2005**      2004  
*HK\$'000*    *HK\$'000*

The tax charge comprises:

Hong Kong Profits Tax		
Current year	<b>83</b>	31
Overprovision in prior years	<b>(3)</b>	—
PRC Income Tax		
Current year	<b>2,941</b>	10,835
Overprovision in prior years	<b>(3,686)</b>	(4,062)
Deferred Tax		
Current year	<u><b>11,658</b></u>	<u>2,205</u>
	<u><b>10,993</b></u>	<u>9,009</u>

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profits for the year.

PRC Foreign Enterprise Income Tax is calculated at the rates prevailing in the PRC. Pursuant to relevant laws and regulations in the PRC, the subsidiary of the Group that is qualified as productive foreign investment enterprises established in cities within the coastal economic zones and special economic zones are entitled to PRC enterprise income tax at concessionary rate at 15%.

## 8. Basic earnings per share

The calculation of basic earnings per share is based on net profit of HK\$92,135,000 (2004: HK\$35,455,000) for the year and on 219,103,681 (2004: 219,103,681) ordinary shares in issue throughout the year.

## 9. Trade and other receivables

At 30th June, 2005, the balance of trade and other receivables included trade receivables of HK\$1,413,000 (2004: HK\$4,110,000) and home loans of HK\$21,626,000 (2004: HK\$15,156,000). For property sales, other than home loans, the Group allows an average credit period of 30 days to its customers. Rentals 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>Year ended 30th June,</b>	
	<b>2005</b>	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
0–60 days	<b>1,268</b>	3,020
61–90 days	<b>79</b>	18
Over 90 days	<u><b>66</b></u>	<u>1,072</u>
	<u><b>1,413</b></u>	<u>4,110</u>

## 10. Trade and other payables

At 30th June, 2005, the balance of trade and other payables included trade payables of HK\$59,090,000 (2004: HK\$32,972,000). The aged analysis of trade payables is as follows:

	Year ended 30th June,	
	2005	2004
	HK\$'000	HK\$'000
0–60 days	35,929	17,733
61–90 days	10,350	—
Over 90 days	<u>12,811</u>	<u>15,239</u>
	<u><b>59,090</b></u>	<u><b>32,972</b></u>

## DIVIDENDS

The Directors recommend payment of a final dividend of 2 Hong Kong cents (2004: 2 Hong Kong cents) per share to all shareholders whose names appear on the register of members of the Company on 29th December, 2005. Together with the interim dividend of 2 Hong Kong cents per share paid, the total dividends for the year ended 30th June, 2005 will be 4 Hong Kong cents (2004: 4 Hong Kong cents) per share. Subject to approval of shareholders at the forthcoming annual general meeting of the Company, the warrants for the final dividend are expected to be despatched to those entitled on or about 17th January, 2006.

## RESULTS REVIEW

For the year ended 30th June 2005, the Group's turnover amounted to HK\$126,939,000, compared to HK\$410,257,000 for the last fiscal year. This decrease was attributable to the fall of revenue (by about HK\$288,741,000) from property sales of Chaoyang Garden in Beijing, as most of residential units in its first and second phases have been sold and the results thereof have been accounted for in previous financial years.

Gross profit margin however had increased to about 37% in the year under review showing a gross profit of HK\$46,786,000. After inclusion of a revaluation increase of HK\$80,000,000 on investment properties, there was an aggregate profit from operations of HK\$104,813,000 for the year as against HK\$49,186,000 for the previous year representing an increase of about 113%.

Net profit and basic earnings per share for the year were HK\$92,135,000 and 42.1 Hong Kong cents respectively, both representing a rise of about 160%.

## BUSINESS REVIEW

### Chaoyang Garden/The Sun Crest

During the year under review, sales proceeds of residential units in Beijing were about HK\$76,468,000 mostly from the remaining units of Phase II of Chaoyang Garden (The Sun Crest).

Construction of Phase III comprising a four-storey shopping mall and a twenty-six-storey tower of commercial apartments was on schedule. To-date, about 40% of Phase III has been pre-sold. This is considered satisfactory in view of recent drastic measures taken by the Central government to dampen property speculation. In line with the Group's accounting policies, the result of these transactions will be reflected upon the issuance of occupation permit.

## **Dynamic Cargo Centre**

In the year under review, the cargo centre maintained virtual full occupancy; rental income and profit from operations before revaluation surplus rose about 12% and 13% respectively. The cargo centre was professionally re-appraised at HK\$500,000,000 as at balance sheet date and a revaluation surplus of HK\$80,000,000 was credited to operating profit.

## **Tung Kok Tau**

In the year under review, port operation showed a continued turnover growth of about 12% with operating profit therefrom recording a substantial increase of about 103% as against the last fiscal year.

## **FINANCIAL REVIEW**

The financial position of the Group remains sound and liquid. At 30th June, 2005, the total shareholders' fund of the Group amounted to HK\$831,131,000 (2004: HK\$749,400,000) with net asset value per share of HK\$3.79 (2004: HK\$3.42). Total borrowings of the Group, both secured and unsecured, were about HK\$291,794,000 (2004: HK\$268,168,000) as at 30th June, 2005, which were in Hong Kong dollars, Reminbi and United States dollars and repayable within about five years at average interest rate of about 4.88% per annum. As at 30th June, 2005, the gearing ratio of the Group was about 23% (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 30th June, 2005 amounted to HK\$221,624,800, of which HK\$111,500,000 (2004: HK\$9,500,000) was banking facilities and HK\$110,124,800 (2004: HK\$76,806,600) was a credit facility provided by a related company.

As at 30th June, 2005, the Group pledged certain of its assets (including investment properties with an aggregate carrying value of HK\$500,000,000) to financial institutions as security against general banking facilities granted to the Group, and also pledged its bank deposits of HK\$27,964,000 (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\$334,674,000 (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 30th June, 2005, the Group and the Company had a maximum amount of mortgage loans which were subject to these guarantees of HK\$643,533,000 (2004: HK\$704,060,000) and HK\$38,858,000 (2004: HK\$39,000,000) respectively. And there was a claim against a subsidiary of the Group in the amount of about HK\$14,879,000 (2004: HK\$14,879,000), but the subsidiary and its legal counsel are strongly resisting this claim and a counterclaim of about HK\$49,309,000 (2004: HK\$49,309,000) has been lodged against the plaintiff.

During the year, sufficient cashflow was generated by sales proceeds of Chaoyang Garden/The Sun Crest, rental income of Dynamic Cargo Centre and revenue of port operations. As at 30th June, 2005, the Group's bank balances and cash stood at HK\$101,773,000 (2004: HK\$119,734,000) denominated primarily in Renminbi. No significant exposure to foreign currency fluctuations affected the Group in the year under review.

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 deem expedient.

## **EMPLOYEES**

At 30th June, 2005, the Group had about 160 employees in Hong Kong and the Mainland China at prevailing market remunerations with employee benefits such as medical insurance, provident fund schemes and share option scheme.

## **PROSPECTS**

### **Beijing**

In an attempt to dampen property speculation in general, the Central Government had recently taken a series of rather drastic administrative measures. However, some cities such as Beijing have not been as severely affected. We are cautiously optimistic that sales of Phase III will be generally on target.

The four-storey podium shopping mall which is held as a long term investment, is being offered for leasing. It is expected that most shops will be taken up by the middle of next year when the grand opening of the mall will take place.

### **Hong Kong**

It was announced on 5th October, 2005 that a wholly-owned subsidiary of the Group entered into an agreement for sale and purchase with a wholly owned subsidiary of Macquarie Goodman Group on 4th October, 2005 in relation to the disposal of the cargo centre of the Group for a cash consideration of HK\$650,000,000, subject to the Group paying the purchaser a rental guarantee in a lump sum of HK\$18,000,000 upon completion of the disposal.

The Directors consider that the disposal will provide an opportunity for the Company to dispose of the cargo centre which the Group has held for 13 years at a fair market price. The disposal is a step towards the realignment of the property portfolio of the Group in order to strengthen its asset base in the long term by seeking to acquire premium properties in the Mainland China which, in the opinion of the Directors, could provide potentially higher growth in rental yield and/or capital gain in the long term. In addition, the disposal will provide funding resources to achieve such realignment.

The Company is in preliminary discussions and/or review of a number of opportunities in relation to premium properties in the Mainland China which include investment opportunities from related parties/connected persons of the Company. No agreement in relation to any acquisition has been signed and no definitive terms or timetable have been agreed.

### **Shenzhen**

Negotiations with the Chinese Party to settle the outstanding dispute are continuing. The Chinese party has made repeated allegations with respect to the authenticity and the legality of the procedures involving the increase of the Group's shareholding in the joint venture in an attempt to strengthen its bargaining position. Based on advice received from the Company's PRC counsel, the allegations of the Chinese party are basically groundless.

Both parties are still making attempts to settle the differences. However, the Company cannot rule out the need to resort to arbitration if a settlement cannot be reached by the end of the current fiscal year.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Wednesday, 21st December, 2005 to Thursday, 29th December, 2005, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Tengis Limited of Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Tuesday, 20th December, 2005.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE**

The Company has complied throughout the year ended 30th June, 2005 with the Code of Best Practice as set out in the old Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), which was in force prior to 1st January, 2005.

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 year.

## **AUDIT COMMITTEE**

The annual results for the year have been reviewed by the Audit Committee of the Company. The Group's consolidated financial statements have been audited by the Company's auditors, Deloitte Touche Tohmatsu, and they have issued an unqualified opinion.

## **PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE**

All the financial and other related information of the Company required by Appendix 16 (in force prior to the amendments made on 31st March, 2004 and applicable to this announcement under the transitional arrangements) to the Listing Rules will be published on the website of the Stock Exchange in due course.

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

Hong Kong, 20th October, 2005

*As at the date of the announcement, the Board of Directors of the Company comprises Mr. Chua Domingo, Mr. Pang Kit Man, John, Mr. Tanenglian Mariano Chua, Mr. Tan Lucio Jr. Khao and Mr. Cheung Chi Ming as Executive Directors; and Mr. Chong Kim Chan, Kenneth, Mr. Sy Robin and Mr. Mak Kwai Wing, Alexander as Independent Non-Executive Directors.*

*Please also refer to the published version of this announcement in **The Standard**.*